IMPERIALISM

The Highest Stage Of Capitalism

V. I. LENIN

WITH NEW DATA COMPLIED BY
E. VARGA AND L. MENDELSSOHN

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PUBLISHERS' NOTE TO THE INDIAN EDITION

This edition of Lenin's classic work, *Imperialism*, contains at the end of each chapter, firstly, the notes that are included in the authoritative edition published in Moscow, and secondly, new data on the points made by Lenin in that chapter. The new data which has been put together by the well-known Soviet economists E. Varga and I. Mendelssohn consist of facts concerning the development of Imperialism since Lenin wrote his great work in 1916. Proving that conclusions at which he arrived in 1916 about Imperialism still hold good, the new data carries the work up to 1933.

In addition to the new data, we are including supplementary data (also put together by Varga and Mendelssohn) and a note on the new material written by L. Mendelssohn.

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CONTENTS

	PAGE
Prefatory Note *by J. Fineburg*	1
Preface to the Russian Edition	8
Preface to the French and German Editions	10
Explanatory Notes	16
Imperialism, the Highest Stage of Capitalism	19
Explanatory Notes	20
CHAPTER I—Concentration of Production and Monopolies	22
NEW DATA FOR CHAPTER I.	
Concentration of Production in German Industry	36
Concentration of Production in German Industry	36
Establishments in German Industry Employing 1,000 and over	37
Concentration of Production in United States Manufacturing Industry	38
Concentration of Production in United States Manufacturing Industry	40
Concentration of Production In British Industry (1930)	41
Concentration of Production in French Industry	43
Development of Concentration in Japan	44
Concentration of Production in Japanese Industry	44
Uneven Concentration of Production	46
Growth of Combined Plants in Industry	46
Monopolies in Great Britain	50
Number of Cartels in Germany	54
Growth of Corporations in the U.S.A.	54
The Rhine-Westphalian Coal Syndicate	55
The Standard Oil Company Group	55
The German Steel Trust (Vereinigte Stahlwerke)	57
U.S. Steel Corporation	58
Monopolisation of Invention	59
The German Chemical Trust (I.G. Farbenindustrie)	60
Imperial Chemical Industries, Limited	61
Compulsory Cartelisation During the Years of the World Economic Crisis	62
Cement Syndicates in Germany	65

PAGE
Monopolies in Japan 65
Monopoly Prices 67

CHAPTER II—The Banks and their New Role 71

NEW DATA FOR CHAPTER II.

Concentration of Banks in Germany 86
Concentration of Banks in United Kingdom 88
Concentration of Banks in U.S.A. 89
Concentration of Banks in Japan 89
Growth in Number of Branches of Berlin Banks .. 90
Growth in Number of Branches of British Banks .. 91
Growth in Number of Branches of French Banks .. 92
Outcome of Struggle Between Deutsche Bank and Disconto—Gesellschaft 92
Concentration of Banks and Competition Among Banks 93
Reduction in Number of Magnates of Capital 94
Monopolist Exploitation of Bank Resources 95
Comparative Changes in Deposits in Banks and Savings Banks 97
Participation of Banks on Supervisory Boards of Joint Stock Companies in Germany 98
The Growth of "Personal Union" or Interlocking Directorates 99
Number of Places Occupied by Bank Representatives in Industrial Companies in Germany 102
Participation of Industrial Monopolies in the Management of Banks 103
The Personal Union Between Monopolies and Governments 104

CHAPTER III—Finance Capital and Financial Oligarchy .. 108

Explanatory Notes 122

NEW DATA FOR CHAPTER III.

The Holding System 124
The Interlocking of Industrial and Financial Joint Stock Companies in Germany 127
German Government Holdings in Joint Stock Companies 128
Monopoly of the Banks in the Flotation of Foreign Loans 131

PAGE

Bank Profits from Flotation of Foreign Loans 131
How the Banks Take Advantage of the Crisis to Subordinate Industrial Enterprises 133
Recent Examples of the Use of Government Funds for the "Reconstruction" of Monopolies 134
Growth of Capital Issues 137

CHAPTER IV—The Export of Capital 139

Explanatory Notes 144

NEW DATA FOR CHAPTER IV

Issues of Foreign Securities 145
Foreign Investments 145
Export of British and U.S. Capital in Colonial and Dependent Countries During the Period 1924 to 1931 .. 146
Capital Invested Abroad 146
Rentier States 148
Approximate Distribution of Foreign Capital 149
Export of Capital as a Means of Increasing the Export of Commodities 149
Income of Imperialist Countries from Long-Term Investments Abroad 151
Banks of the Imperialist Countries in the Colonies .. 151

CHAPTER V—The Division of the World Among Capitalist Combines 152

NEW DATA FOR CHAPTER V

Monopolies in the Electrical Industry in Germany .. 160
The Struggle of Monopolies in Electrical Engineering .. 162
The Struggle for Oil Markets 163
Monopolies in the Shipping Trade 164
The International Rail Cartel 166
The International Zinc Syndicate 166
The International Dynamite Trust 167
Total Number of International Cartels 167
Number of International Cartels in Different Industries (1931) 168

CHAPTER VI—The Division of the World Among The Great Powers 169

PAGE

Notes for Chapter VI 179

NEW DATA FOR CHAPTER VI

Percentage of Territories Belonging to European Colonial Powers, United States and Japan 180
Colonial Possessions 181
Latest Examples of Propaganda in Favour of Colonial Plunder 181
Colonial Possessions of the Great Powers 184
Colonies of the Small Powers 186
Important Colonial Conquests in the 20th Century . 186
Imperialist Expansion of the Production of Raw Materials in the Colonies 188
The Struggle Between the United States and Great Britain for the Caribbeans and South America .. 190

CHAPTER VII—Imperialism As a Special Stage of Capitalism 192

NEW DATA FOR CHAPTER VII

The Unevenness of Capitalist Development Under Imperialism 203
Comparative Levels of Basic Industries of Principal Countries 203
Unevenness of Devlopment of "Old' and "New" Industries 204
Distribution of World Coal and Lignite Output .. 205
Distribution of World Pig Iron Output 207
Distribution of World Steel Output 207
Distribution of World Cotton Consumption 208
Exports of Manufactures 208
Distribution of World Trade 209
Uneven Development of Japan, U.S.A., and Great Britain 209
Uneven Development of Different Industrial Regions .. 210

CHAPTER VIII—The Parasitism and Decay of Capitalism 214

NEW DATA FOR CHAPTER VIII.

Increase in the Amount of Securities in Great Britain .. 224
Great Britain's Income from Foreign Trade and Investments 225

PAGE
United States Income from Foreign Trade and Investments 225
Growth of Rentiers' Incomes 226
Income from Foreign Investments and Total National Income of U.S.A. 227
Income from Foreign Investments and Total National Income of Great Britain 228
Decline in Percentage of Productively Employed Population to Total Population In England 229

CHAPTER IX—Critique of Imperialism 231

Notes for Chapter IX 244

CHAPTER X—The Place of Imperialism in History .. 246

SUPPLEMENTARY DATA

FACTS AND FIGURES ON THE DECAY OF MODERN CAPITALISM 252

I. INABILITY OF CAPITALISM TO UTILISE THE BASIC PRODUCTIVE POWER OF SOCIETY—LABOUR POWER 252
Chronic Unemployment 252
Decrease in Number of Workers Actually Employed in Industry in Post-War Period 253
Concealed Unemployment, Agrarian Overpopulation .. 254
Pauperism 255
Overpopulation in Colonial and Semi-Colonial Countries 255
Retarded Increase of Population 256

II. DIRECT AND INDIRECT DESTRUCTION OF LABOUR POWER 256
Destruction of Labour Power in the War of 1914-18 .. 256
Victims of the White Terror 1925-35 257
Destruction of Labour Power Resulting from Increasing Poverty 257
Destruction of Labour Power as a Result of Speed-Up .. 259
III. GROWTH OF UNPRODUCTIVE LABOUR .. 261
Relative Decline in Number of Workers Employed in Industry 261

PAGE
Increase in Relative Number of Persons Engaged in the Sphere of Distribution and Personal Service .. 262
IV. RETARDED RATE OF INCREASE OF PRODUCTION 264
V RETARDATION OF TECHNICAL PROGRESS .. 264
VI. THE CHRONIC BELOW—CAPACITY UTILISATION OF MEANS OF PRODUCTION 268
VII. DESTRUCTION OF FIXED CAPITAL .. 269
VIII. DESTRUCTION OF STOCKS OF COMMODITIES IN THE PERIOD OF THE WORLD ECONOMIC CRISIS 271
IX. INCREASE IN DISTRIBUTION COSTS 273
X. ARMAMENTS, WARS, INCREASE OF POLICE FORCE 274
Bureaucracy in the U.S.A. 274
Bureaucracy in Great Britain 274
Growth of Expenditure on Armaments 274
Wars and Armed Conflicts Since the World War of 1914-18 275

CONCERNING NEW DATA FOR V. I. LENIN'S *IMPERIALISM, THE HIGHEST STAGE OF CAPITALISM*, BY Leo Mendelssoln 279
I. The Growth of Concentration of Production .. 280
II. The Growth of Industrial Monopolies 288
III. The Growth of Bank Monopolies and of the Financial Oligarchy 299
IV. The Export of Capital 305
V. The Growth of International Monopolies .. 308
VI. The Division of the World Among the Imperialist Countries 311
VII. Unevenness of Capitalist Development Becomes More Marked 314
VIII. Increase in the Parasitism and Decay of Capitalism 329

DIAGRAMS

The House of Morgan, System of Financial Control (1929) 100
French Armaments Concern—Schneider-Creusot .. 129
Major Elements in the Control of the Van Sweringen System of Railroads 130
International Connections of Electrical Monopolies .. 161
Uneven Development of Industry in Principal Countries 206

PREFATORY NOTE

By

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Editor, Lenin's Selected Works

Lenin calls his book, *Imperialism as the Highest Stage of Capitalism*, "a popular outline." In reality, however, this book occupies an exclusive position in all Marxist literature devoted to imperialism. One of the most important major works of Lenin, it is linked closely with Marx's *Capital*. The development of Lenin's theory of imperialism in this book is a direct continuation of Marx's theory of capitalism. Marx uncovered the fundamental economic and class contradictions of capitalism and the laws of its development. He thus gave a scientific economic foundation to his teaching of proletarian revolution and the dictatorship of the proletariat. But neither Marx nor Engels lived to see the full development of imperialism. They witnessed merely its first steps (primarily in England). They therefore could foresee only in general outline the peculiarities and consequences of this new and highest stage of the development of capitalism. In the development of capitalist combinations (stock companies, trusts, syndicates), in the growing centralisation of production and its concentration in the hands of small groups of the biggest capitalists ("magnates of capital") and in the growth of their *monopoly, i.e.*, of their exclusive domination over the national economy, Marx and Engels already foresaw the advance of an epoch when further capitalist development would become impossible and when the breakdown of capitalism would ensue.

It is just this epoch that Marx had in mind when he stated in Volume I of *Capital* (Chapter 24, p.846, International Publishers, 1929) that "While there is thus a progressive diminution in the number of the capitalist magnates, who usurp and monopolise all the advantages of this transformative process, (*i.e.* the transformation that produces capitalism in the technique of production and the entire national economy.—*Ed.*), there occurs a corresponding increase in the mass of poverty,

oppression, enslavement, degeneration, and exploitation; but at the same time there is a steady intensification of the wrath of the working class—a class which grows ever more numerous, and is disciplined, unified, and organised by the very mechanism of the capitalist method of production. Capitalist monopoly becomes a fetter upon the method of production which has flourished with it and under it. The centralisation of the means of production and the socialisation of labour reach a point where they prove incompatible with their capitalist husk. This bursts asunder. The knell of capitalist private property sounds. The expropriators are expropriated." And it is this very stage of the development of capitalism as its highest and final stage that Engels has in mind in his *Anti-Duhring* when speaking of the "monopoly" of the trusts. He says there that "not a single people would reconcile itself to a system of production that is regulated by trusts with the undisguised exploitation of society as a whole by a small band of coupon-clippers." He states that even the passing of production into the hands of the capitalist state (*i.e.*, state capitalism in a bourgeois state) will not save capitalism from destruction because by such a transfer "capitalist relationships are not set aside but are, on the contrary, made more acute; this intensification however will be the last step in their development." But all this was only a forecast in the most general terms. Marx and Engels could not as yet observe the peculiarities of the new epoch of monopoly capitalism (or in other words, imperialism) in their *developed* state.

To uncover these peculiarities, to show what new and much sharper forms are assumed by the development of the economic and class contradictions of capitalism during the epoch of imperialism, in what manner they transform this epoch into the "eve of socialism" and into the epoch of proletarian revolutions, creating all the necessary preliminary conditions for it—all this fell to the share of Lenin. By accomplishing this task in his book, *Imperialism as the Highest Stage of Capitalism*, Lenin supplied a scientific foundation for the further development of the Marxist teaching of the proletarian revolution and the dictatorship of the proletariat, for its transformation into what we now call Leninism. Leninism grew on the theoretical base of Marxism in the epoch of imperialism, and Lenin's teaching of proletarian revolution and dictatorship in each of its propositions rests on that understanding of Marxism which is unfolded in this book of Lenin. The

Leninist teaching of imperialism lies at the foundation of the programme of the All-Union Communist Party as well as the programme of the Communist International as a whole. This teaching served for Lenin himself, has served and continues to serve for our Party and the Communist International as a whole, as the starting point for the solution of all the questions of strategy and tactics of the struggle against capitalism, all the time, from the imperialist war until the present. This teaching also serves as a mighty weapon both in the struggle against the Second International, against the theoretical justification of imperialism, against the obsequiousness and subservience to imperialism on the part of the International, and in the struggle against the opportunist "left" and "right" currents in the Communist Parties themselves.

The Second International, in the person of its "theoreticians" such as Hilferding and Company, explains its policy of betrayal of the working class and obsequiousness to the bourgeoisie by the theory of so-called "organised capitalism," *i.e.*, of capitalism that is presumably able precisely in the epoch of imperialism to eliminate the contradictions sundering it and to create production without crises developing in accordance with a plan. This theory of the Second International serves at present as the basis for its denial of the proletarian revolution, of its struggle against the revolution and for its opportunist teaching of the growing into socialism through collaboration with the bourgeoisie, through so-called "political and economic democracy." One of the sources of this theory of "organised capitalism," its original expression, was the theory of "ultra-imperialism" ("super-imperialism") of Kautsky which had its origin simultaneously with the Leninist teaching of imperialism, during the period of the Imperialist War, and it was especially created to vindicate social-chauvinism. This theory forecast a development of imperialism that would do away with the contradictions of capitalism, first of all in the international sphere by means of "the unification of the imperialisms of the entire world" and the abolition of war, by means of "internationally consolidated finance capital." Lenin in *Imperialism as the Highest Stage of Capitalism* (see Chapters VII and IX) and in another pamphlet written at an earlier date, *The Collapse of the Second International* (see Chapters 4 and 9; V. I. Lenin, *Collected Works*, Vol. XVIII, pp. 273-322; reprinted in *Little Lenin Library*, Vol. 2, pp. 7-55) gave an annihilating criticism of this theory of "ultra-imperialism" as

"ultra-rubbish," as an anti-Marxist reformist theory *dulling the contradictions of capitalism.* By this criticism and his entire teaching of imperialism as the epoch of the *greatest intensification* of all the contradictions of capitalism, Lenin supplied an irreplaceable weapon for the struggle against the modern opportunist theory of organised capital preached by the leaders of the Second International.

Trotskyism, together with the group of Zinoviev-Kamenev, opposing in 1925-1927 Lenin's teaching of the possibility of the victory of socialism in a single country, a teaching based on Lenin's understanding of imperialism, really continued that struggle against Leninism that was conducted by Trotsky during the Imperialist War. During the years of the war, Trotskyism, as was shown by Lenin in a series of articles, passed from disguised liquidatorship to social-chauvinism disguised by "Marxian phrases," joining in this respect Kautsky and Company. At that time Trotsky opposed the Leninist slogans of converting the imperialist war into civil war and of the victory of socialism gained at first in one or several countries. As against these Leninist slogans, Trotsky supported the slogan of a United States of Europe "without monarchies and standing armies," *i.e.,* the slogan of the bourgeois democratic unification of Europe which in his opinion was an indispensable condition for the victory of the Socialist revolution. This slogan of Trotsky was nothing else but a Kautskyian recognition of the possibility of "the unification of the imperialisms" of Europe into a single European super-imperialism. He attributed to "modern economy," *i.e.,* to imperialism, "a really liberating historical mission: the construction of a unified world economy, independent of national frontiers and state-customs toll gates" (Trotsky, "Programme of Peace," *War and Revolution,* Vol. II, pp. 477-503, Russian edition). Out of this very unification of world economy under imperialism Trotsky drew the conclusion as to the impossibility of a lasting victory of the proletarian revolution and the building of socialism in any one country, especially in Russia. Thus, Trotsky's denial of the victory of socialism in one country had its basis in the anti-Leninist, Kautskyian, reformist conception of imperialism. The Trotsky struggle against Leninism during the years of the war was a struggle that had its basis in Kautskyianism and in reality remained on that basis in 1925-1927. Lenin's teaching of imperialism and his annihilating criticism of Kautskyianism and Trotskyism during the years of the war

gave our Party an irreplaceable weapon also for victory over Trotskyism during the period of the XIV-XV Congresses.

A similarly irreplaceable weapon was supplied by these teachings also for the struggle against right opportunism in the ranks of the All-Union Communist Party. In the questions concerning the conception of imperialism this right opportunism also degenerated into the theory of "organised capitalism" developed out of the Kautskyian "super-imperialism." As early as during the period of the Imperialist War, Comrade Bukharin uttered thoughts bringing his viewpoint on imperialism very close to that of Kautsky and Hilferding. In Bukharin's work, *Imperialism and World Economy*, written in 1915, we find:

"....There is a process taking place transforming capital divided into 'national' groups into a single world organisation, a universal world trust opposed by the world proletariat.

"Speaking in an abstract, theoretical way such a trust is perfectly thinkable, for, generally speaking, there is no economic limit to the process of cartelisation." (Page 135.) The author proceeds to quote Hilferding on the possibility of a single trust, announcing his complete agreement with Hilferding on this question.

No less characteristic are Comrade Bukharin's arguments on this question in his later theoretical work, *Imperialism and the Accumulation of Capital* (1925, Russian edition). Here, "considering the question from an abstract theoretical point of view" Comrade Bukharin writes about "the *collective-capitalist order* (state capitalism), where the capitalist class is united into a single trust and where consequently we have an *organised*, but at the same time, from the *class point of view*, an antagonistic economy." From this he draws the following conclusion: "Hence no crisis of overproduction is *here* (with a single trust.—*Ed.*) *possible of arising*. The course of production in general runs smoothly. The stimulus of production and of the production plan is the consumption of the capitalist." (Page 84, *Editor's italics.*)

Starting from the point of view of the possibility of planned economy under imperialism, Bukharin stage by stage comes in his well-known articles in the *Pravda* of May 26th and June 30th, 1929 ("Some Problems of Modern Capitalism as Treated by Theorists of the Bourgeoisie" and "Theory of Organised Economic Anarchy") to the opportunist evaluation of the contemporary period of imperialism. To be sure, he

no longer speaks of a single *world* trust, of the possibility of a planned *world* economy. Instead, however, Bukharin goes to another no less opportunist extreme. All the contradictions of imperialism and all their intensification is transferred by Comrade Bukharin to the international field and in that way all the possibilities of proletarian revolutions are linked *exclusively* with the sharpening of international contradictions, international clashes between imperialist countries and for that reason with the inevitability of imperialist wars. Instead of the "abstract" possibility of "a single *world* trust," we now have, according to Bukharin, the real possibility of a single trust *within* the individual imperialist country, in the form of "state capitalism" which, in his opinion, signifies "the dying off of competition *within* the capitalist country and the greatest *sharpening* of the competition between capitalist countries." This means nothing else than the possibility of a crisis-less, planned development of capitalism within the individual capitalist countries, and consequently, not the sharpening but the dulling of the contradictions of capitalism within these countries. The opportunism of this theory is quite apparent, it approaches very closely the argumentation of the "theorists" of the Second International concerning organised capitalism, inasmuch as it is concerned with the "dying off of competition" and capitalism without crises *within* the imperialist countries. On the other hand, this theory cannot possibly be reconciled with the Leninist teaching of the imperialist epoch as an epoch of the greatest sharpening of the contradictions of capitalism, not merely of the international contradictions but also of the contradictions within each imperialist country. In subjecting in his book, *Imperialism as the Highest Stage of Capitalism*, the viewpoints of Kautsky and the bourgeois economists on imperialism to the most devastating criticism, Lenin rejects as a "fable spread by bourgeois economists who at all costs want to put capitalism in a favourable light." all suggestions of the possibility of a planned economy without crises in the epoch of imperialism. He proves that in this epoch, on the contrary, monopoly "increases and intensifies the state of chaos inherent in capitalist production *as a whole*" (*ibid.*) *notwithstanding* the development of combinations of capitalists, notwithstanding the aspiration of monopoly capitalism to destroy free competition within each country. These parts of Lenin's book seem to be originally directed against contemporary right opportunism and its treatment of the

present period of imperialism.

Lenin's book, *Imperialism as the Highest Stage of Capitalism*, being the basis of the Leninist teaching of proletarian revolution, serves at the same time as the best key to the understanding of the positions and the slogans of Lenin during the period of the Imperialist War and the period of the struggle for a proletarian dictatorship in Russia (1917). At the same time it serves as a key also to the struggle that was conducted by Lenin on "two fronts"—against all the various species of social-chauvinism on the one hand and against the "left" deviation in the ranks of Bolshevism at that time (the group of Bukharin-Pyatakov, etc.) on the other hand.

THE pamphlet here presented to the reader was written by me in Zurich in the spring of 1916. Under the conditions in which I was obliged to work there I naturally suffered from a certain lack of French and English literature and from a very great lack of Russian literature. However, I made use of the principal English work on imperialism, J. A. Hobson's book with all the care that, in my opinion, this work deserves.

The pamphlet was written with an eye to the tsarist censorship. Hence I was forced not only to confine myself strictly and exclusively to a theoretical, particularly economic, analysis, but also to formulate the few necessary observations on politics with extreme caution, with pointed hints, in that "Esopian" language—that cursed "Esopian" language—to which tsarism forced all revolutionaries whenever they took pen in hand to write a "legal" work.*

It is painful, in these days of freedom, to read again in the pamphlet these passages, mutilated by consideration for the tsarist censorship, gripped and held tight in a vise of iron. How imperialism is the eve of the socialist revolution; how social-chauvinism (Socialism in words, chauvinism in deeds) is the complete betrayal of Socialism, a complete desertion to the side of the bourgeoisie; how this split in the labour movement is connected with the objective conditions of imperialism, *etc.*—of all these things I had then to speak in a "slave" language, and now I must refer the reader who is interested in the question to the reprint of the book which is soon to appear, containing the articles I wrote abroad from 1914 to 1917† Special attention should be paid to one passage in Chapter X to make clear to the reader in censor-proof form how

* "Esopian," after the Greek fable writer Æsop, was the term applied to the allusive and round-about style adopted in "legal" publications by revolutionaries in order to avoid words which would arouse the suspicions of the authorities. Thus, instead of "Social-Democrat" they would write "consistent Marxist"—*Ed.*

†These articles are now reprinted in Vols. XVIII and XIX of the *Collected Works*, which comprise Lenin's writings between 1914 and 1917.—*Ed.*

shamelessly the capitalists and the social-chauvinists who have deserted to their side (whom Kautsky is fighting with so much inconsistency) lie on the question of annexations, how shamelessly they *screen* the annexations of *their* capitalists, I was forced to take as an example....Japan! The careful reader will easily substitute Russia for Japan, and Finland, Poland, Courland, the Ukraine, Esthonia, Khiva, Bokhara or other regions peopled by non-great-Russians for Korea.

I entertain the hope that my pamphlet will be of assistance in enquiring into that fundamental economic question, without a study of which it is impossible to understand anything when it comes to evaluating the present war and present-day politics, *viz.*, the question of the economic essence of imperialism.

THE AUTHOR.

Petrograd, April 26, 1917.

As indicated in the preface to the Russian edition, this pamphlet was written in 1916, with an eye to the tsarist censorship. I am unable to revise the whole text at the present time, nor, perhaps would it be advisable since the fundamental purpose of the book was and remains: to present, on the basis of the summarised results of irrefutable bourgeois statistics and admissions by bourgeois scholars of all countries, a *general picture* of capitalist world economy in its international interrelations at the beginning of the twentieth century, on the eve of the first world imperialist war.

To some extent it will even be useful for many Communists in advanced capitalist countries to convince themselves, by the example of this pamphlet, *legal from the standpoint of the tsarist censor*, of the possibility and necessity of making use of even the slight remnants of legality which the Communists still retain in, say, contemporary America or France after the recent wholesale arrests of Communists,* in order to explain the complete falsity of the social-pacifist views and hopes for "world democracy". I shall try to supply in this preface the supplementary material most indispensable to the censored book.

II

In the pamphlet it is proved that the war of 1914-1918 was on both sides imperialist (*i.e.*, an annexationist, predatory, plunderous war), a war for the partition of the world, for the distribution and redistribution of colonies, of "spheres of influence" of finance capital, *etc.*

Now, proof as to what is the true social, or, more correctly, the true class character of a war is naturally to be found, not

* Lenin refers to the wholesale raids on Communist organisations conducted in the United States on a national scale early in 1920 by order of Attorney-General Palmer and known as the "Palmer raids," which drove the Communist Party underground for a period of three years.—*Ed.*

in the diplomatic history of the war, but in an analysis of the *objective* positions of the ruling *classes in all* belligerent powers. In order to depict this objective position one must not take single examples or isolated data (in view of the extreme complexity of the phenomena of social life it is always easy to select any number of examples or isolated data to corroborate any point one desires), but the *aggregate* of the data concerning the *bases* of economic life of *all* the belligerent countries and of the *whole* world.

It is precisely such irrefutable summarised data that I quote when describing the *partition of the world* in 1876 and 1914 (in Chapter VI) and the distribution of the *railways* all over the world in 1890 and 1913 (in Chapter VII). Railways are the summation of the most important branches of capitalist industry, coal and iron; the summation and the most striking indices of the development of world trade and bourgeois-democratic civilisation. In the earlier chapters of the book I have shown how the railways are linked up with large-scale production: monopolies, syndicates, cartels, trusts, banks and the financial oligarchy. The uneven distribution of the railways, their uneven development, are the summation of modern monopolist capitalism on a world scale. And this summation shows that imperialist wars are absolutely inevitable on such an economic foundation, *so long as* private ownership in the means of production exists.

The building of railways seems to be a simple, natural, democratic, cultural and civilising enterprise; and that is what it is—in the eyes of bourgeois professors who are paid to depict capitalist slavery in bright colours, and in the eyes of petty-bourgeois philistines. But as a matter of fact the capitalist threads, which with thousands of meshes bind these enterprises to private property in the means of production in general, have converted this construction into an instrument of oppression for a *billion* people (in the colonies and semi-colonies), *i.e.*, for more than half the population of the earth in the subject countries and for the wage-slaves of capitalism in "civilised" lands.

Private property based on the labour of the small owner, free competition, democracy—all these catchwords with which the capitalists and their press deceive the workers and the peasants are things of the distant past. Capitalism has grown into a world system of colonial oppression and financial strangulation of the overwhelming majority of the people of the

world by a handful of "advanced" countries. And this "booty" is shared by two or three world-dominating pirates armed to the teeth (America, England, Japan), who embroil the whole world in *their* war over the division of *their* booty.

III

The Brest-Litovsk peace[2] dictated by monarchist Germany and later the much more brutal and despicable Versailles peace[3] dictated by the "democratic" republics, America and France, and also by "free" England, have rendered most useful service to mankind by exposing both the hired coolies of the pen of imperialism and the reactionary petty-bourgeois, who, though they call themselves pacifists and Socialists, sang praises to "Wilsonism," and insisted that peace and reform were possible under imperialism.

The tens of millions of dead and maimed left by the war —a war to decide whether the British or the German group of financial marauders should receive the lion's share of the booty—and then those two "peace treaties," must, with a rapidity hitherto unknown, open the eyes of the millions and tens of millions of people, down-trodden, oppressed, deceived and duped by the bourgeoisie. As a result of the universal ruin wrought by the war a world-wide revolutionary crisis is arising which, no matter how protracted and difficult the stages through which it may pass, can end in no other way than in a proletarian revolution and its victory.

The Basle Manifesto of the Second International, which in 1912 gave an evaluation of precisely the war which broke out in 1914, and not of war in general (there are all kinds of wars, including revolutionary wars)—this manifesto remains a monument exposing the whole shameful bankruptcy and treachery of the heroes of the Second International.

For that reason I reproduce this manifesto as a supplement to the present edition; and again I call upon the reader to note that the heroes of the Second International are evading the passages of this manifesto which speak precisely, clearly and definitely of the connection between that coming war and the proletarian revolution, as assiduously as a thief avoids the place where he has committed a theft.

IV

Special attention has been devoted in this book to a criticism of "Kautskyism," the international ideological tendency represented in every country of the world by the "most prominent theoreticians," the leaders of the Second International (Otto Bauer and Co. in Austria, Ramsay MacDonald and others in England, Albert Thomas in France, *etc.*, *etc.*) and a multitude of Socialists, reformists, pacifists, bourgeois democrats and priests.

This ideological trend is, on the one hand, a product of the disintegration and decay of the Second International, and on the other an inevitable outcome of the ideology of the petty-bourgeois who by all the conditions of their lives are held captive by bourgeois and democratic prejudices.

The views held by Kautsky and his ilk are a complete renunciation of precisely those revolutionary principles of Marxism which this author defended for decades, especially, for instance, in his struggle against Socialist opportunism (Bernstein, Millerand, Hyndman, Gompers, *etc.*). It is no mere accident, therefore, that the "Kautskyists" all over the world have now united in practical politics with the extreme opportunists (through the Second or yellow International) and with bourgeois governments (through bourgeois coalition governments in which Socialists take part).

The growing proletarian revolutionary movement all over the world in general, and the Communist movement in particular, cannot refrain from analysing and exposing the theoretical errors of "Kautskyism." The more so because pacifism and "democracy" in general, which lay no claim to Marxism whatever, but which exactly like Kautsky and Co. are obscuring the depth of the contradictions of imperialism and the inevitability of the revolutionary crisis engendered by it, are tendencies which are still spread widely all over the world. It is the bounden duty of the party of the proletariat to combat these tendencies and to win away from the bourgeoisie the small proprietors who are duped by them, and the millions of toilers who live in more or less petty-bourgeois conditions.

V

A few words must be said about Chapter VIII, "Parasitism and the Decay of Capitalism." As it is pointed out in

the text of the book, Hilferding, ex-"Marxist," now a comrade-in-arms of Kautsky, and one of the chief exponents of bourgeois reformist policy in the Independent Social-Democratic Party of Germany[4], has taken a step backward compared with the *frankly* pacifist and reformist Englishman, Hobson, on this question. The international split of the whole labour movement is now quite evident (Second and Third Internationals). Armed struggle and civil war between the two tendencies is now an established fact: the support given to Kolchak and Denikin by the Mensheviks and "Socialist-Revolutionaries" against the Bolsheviks in Russia; the Scheidemanns, Noskes and Co., in conjunction with the bourgeoisie against the Spartacists[5] in Germany; the same thing in Finland, Poland, Hungary, *etc.* What, then, is the economic basis of this world-historic phenomenon?

Precisely the parasitism and decay of capitalism which are the characteristic features of its highest historic stage, *i.e.*, imperialism. As has been proven in this book, capitalism has brought to the fore a *handful* (less than a tenth of the inhabitants of the globe; less than one-fifth, if most "generously" and liberally calculated) of particularly rich and powerful states which plunder the whole world by simply "clipping coupons." Capital exports yield a return of 8 to 10 billion francs per year at pre-war prices, according to pre-war bourgeois statistics. Now, of course, it is much more.

Obviously, out of such enormous *super-profits* (since they are obtained over and above the profits which capitalists squeeze out of the workers of their "own" country) *it is possible to bribe* the labour leaders and an upper stratum of the labour aristocracy. And the capitalists of the "advanced" countries do bribe them; they bribe them in a thousand different ways, direct and indirect, overt and covert.

This stratum of bourgeoisified workers or "labour aristocracy," who have become completely petty-bourgeois in their mode of life, in the amount of their earnings, and in their point of view, serve as the main support of the Second International, and, in our day, the principal *social* (not military) *support of the bourgeoisie.* They are the real *agents of the bourgeoisie in the labour movement,* the labour lieutenants of the capitalist class,* the real carriers of reformism and chauvinism. In

* "Labour lieutenants of the capitalist class," written in English in the text.—*Ed.*

the civil war between the proletariat and the bourgeoisie they inevitably, and in no small numbers stand on the side of the bourgeoisie, on the side of the "Versaillese" against the "Communards."[5]

Not the slightest progress can be made towards the solution of the practical problems of the Communist movement and of the coming social revolution unless a clear idea is obtained of the economic roots of this phenomenon and unless its political and social significance is appreciated.

Imperialism is the eve of the proletarian social revolution. This has been confirmed since 1917 on a world scale.

N. LENIN.

July 6, 1920.

[1] This preface was first published, a year after it was written, in the *Communist International*, No. 18, 1921, under the title *Capitalism and Imperialism*.

[2] The Brest-Litovsk peace, concluded between the Soviet government on the one side, and Germany, Austria-Hungary, Bulgaria and Turkey, on the other, was signed by the Soviet delegation in the town of Brest-Litovsk in March 1918 and ratified at the Fourth Special Congress of Soviets on March 15, after the Seventh Congress of the Communist Party of the Soviet Union, on the motion of Comrade Lenin and the Central Committee of the Party, had adopted a resolution in favour of concluding peace. The signing of the peace treaty was preceded by protracted negotiations with Germany which began on December 2, and by an equally protracted struggle in favour of concluding peace waged within the Party and on the Central Committee against the "Left Communists," headed by Comrade Bukharin, and against Trotsky. Lenin categorically insisted on the necessity of concluding peace in order, "by conceding space, to gain time," to gain a "respite" in order to consolidate the proletarian dictatorship, to organise a Red Army, to break the sabotage and resistance of the counter-revolution in the country and thus preserve the first and only proletarian state as a bulwark and instrument for developing the world proletarian revolution.

The "Left Communists" waged a struggle against Lenin on the grounds that the conclusion of peace would be a betrayal of the world proletarian revolution. The Moscow Regional Bureau of the Party, led by Comrade Bukharin, passed a resolution in which they advanced what Lenin called the "strange and monstrous" postulate that "in the interests of the international revolution it is expedient to risk the loss of the Soviet government," which, the resolution stated, by concluding peace was becoming "formal." In this same resolution the Moscow Bureau expressed lack of confidence in the Central Committee led by Lenin. Trotsky adopted a position that was expressed in the formula: "neither the continuation of the war nor the signing close to that of the "Left Communists," and advocated a policy that was of peace."

Lenin subjected the point of view of the "Left Communists" and of Trotsky to severe criticism in his speeches, particularly at the Seventh Congress of the Party, as well as in the press. The resistance put up by the "Left Communists" and the position taken by Trotsky considerably delayed the conclusion of peace, and, finally, peace had to be concluded on much worse terms than could have been obtained in December 1917. According to the Brest-Litovsk Peace Treaty, Soviet Russia was deprived of Latvia, Esthonia and part of White Russia, and Germany annexed the parts of Poland and Lithuania which she had occupied during the war. The Soviet government also undertook to "withdraw" from the Ukraine and

Finland. The Brest-Litovsk treaty was annulled by the Soviet government in November 1918 when the revolution broke out in Germany.

[6] The Versailles Peace (named after the city of Versailles near Paris, France) was concluded as a result of the Imperialist War of 1914-1918 between Germany and its allies on the one hand and the Allied Powers at war with them (Great Britain, France, United States, Serbia, Italy, Japan) on the other hand. If the Brest-Litovsk Peace disclosed the grasping predatory purposes of the war on the part of Germany, the Versailles Peace confirmed the predatory war purposes on the part of France, Great Britain and their allies. According to the Versailles Treaty—signed on June 28, 1919, after the armistice declared in November, 1918—Germany and Austria lost much of their European territory. The colonies were taken away from Germany and distributed among the victors. Germany was practically entirely disarmed and its arms, including the navy, were taken away by the victorious countries. An excessively high tribute was imposed upon Germany and it was to be paid partly in gold and partly in kind, with coal, building materials, machinery, dyes, etc. This tribute ("reparations") is even now, as is well-known, a heavy burden upon the working class and other toiling masses of Germany because the bourgeoisie, as always, transfers the burden of its payments through the state to the shoulders of the toiling classes exploited by it and its state.

[7] The Independent Social-Democratic Party of Germany was formed in April, 1917, at a conference in Gotha, under the leadership of the Centrists, Haase, Kautsky and Ledebour. In 1920 it had a membership of 800,000. At the Halle Congress of the Party, October, 1920, a proposal to affiliate to the Communist International was defeated by 236 votes against 156. This led to a split and 300,000 members left to join the Communist Party of Germany. In 1922 the I.S.-D.P. affiliated to the Vienna Two-and-a-Half International and in October of the same year returned to the German Social-Democratic Party.

[8] The *Spartakusbund* (Spartacus League) was an illegal organisation founded at the beginning of the war by Karl Liebknecht, Rosa Luxemburg, Franz Mehring, Leo Jogisches, Clara Zetkin and others. It rallied the revolutionary elements in the old Social-Democracy for a struggle against the war and against the social-patriotism and class collaboration of the leadership of the Social-Democracy which had completely gone over to the bourgeois camp. A series of leaflets which it had issued under the name of Spartacus caused the group to be called the Spartacus League (Spartacus—a Thracian leader of gladiators who led an uprising of slaves against Rome, 73-71 B.C.). When the I.S.-D.P. was formed, the Spartacus League affiliated to it, but stated at the convention that it not only reserved its freedom of agitation and criticism but also its in-

dependence of organisation and action. At the National Conference of the League at Gotha in 1918 it was decided to separate from the I.S.-D.P. In December, 1918, the Communist Party of Germany was formed, of which the main body consisted of the Spartacus League.

"Communards—the proletariat of Paris together with the urban poor and a section of the petty bourgeoisie following its lead, who rose in rebellion in 1871, during the Franco-Prussian War, and having seized power, established the Paris Commune —the first government of the proletarian dictatorship in history. The Communards waged a heroic struggle against the bourgeoisie and its government, which had fled to Versailles, hence the term "Versaillese." The bourgeois government concentrated its counter-revolutionary forces and, with the aid of the Prussian troops, besieged Paris and finally drowned the Commune in the blood of the workers.

IMPERIALISM, THE HIGHEST STAGE OF CAPITALISM

During the past fifteen or twenty years, especially after the Spanish-American War (1898)[1] and the the Anglo-Boer War (1899-1902),[2] the economic and also the political literature of the old and new world has more and more often adopted the term "imperialism" in order to characterise the epoch in which we live. In 1902, *Imperialism*, a work by the English economist, J. A. Hobson, was published in London and New York. The author, who adopts the point of view of bourgeois social reformism and pacifism, which in essence is identical with the present position of the ex-Marxist, K. Kautsky, gives a very good and detailed description of the principal economic and political characteristics of imperialism. In 1910, there appeared in Vienna the work of the Austrian Marxist, Rudolf Hilferding, *Das Finanzkapital* (*Finance Capital*). In spite of the author's mistake regarding the theory of money,[3] and in spite of a certain inclination to reconcile Marxism and opportunism, this work affords a very valuable theoretical analysis of "the latest phase of capitalist development," as the subtitle of Hilferding's book reads. Indeed, what has been said of imperialism during the past few years, especially in a great many newspaper and magazine articles on this subject, as well as in the resolutions, for instance, of the Congresses at Chemnitz and Basle (Autumn, 1912), has scarcely gone beyond the ideas expounded, or, more exactly, summed up by the two writers mentioned above.

In what follows we shall attempt to show, as briefly and as popularly as possible, the connection and interrelation between the *principal* economic characteristics of imperialism. We have no opportunity to deal with the non-economic aspect of the question, however worthy it may be.* References to literature and other notes which may not interest all readers we shall put at the end of this pamphlet.

* By "non-economic" Lenin meant political. The political aspects were omitted because the pamphlet was intended as a legal publication to be passed upon by the tsarist censors. —*Ed.*

[1] The Spanish-American War waged by the United States against Spain in 1898 for the possession of the Antilles, the Philippines and other islands in the Atlantic and the Pacific, on the pretext of "liberating" these islands from the Spanish yoke. This war serves to illustrate Lenin's thesis on the struggle of the imperialist countries for the re-division of the world. The larger of the Antilles (Cuba and Porto Rico) serve as a base for the domination and control of Mexico, the Central American republics and the northern part of South America. By seizing these islands in the Atlantic, the United States obtained possession of the key to the Panama Canal which unites the Atlantic with the Pacific. On the other hand, the Philippines serve the United States as a base in the Pacific for penetration into China and Indo-China, for checking Japan and Australia, and for controlling European maritime traffic to Eastern Asia. All these circumstances were decisive in causing the war between the United States and Spain.

The Spanish-American War was brought to an end by the treaty of Paris signed on December 10, 1898. By this treaty Spain was obliged to withdraw from Cuba, Guam, Porto Rico and the Philippines. Cuba was declared to be an "independent" state, but when the Spanish forces were withdrawn, the United States troops remained and with their aid the United States government began to govern the island as if it were her colony. Later, by acts of legislation and treaties with Cuba in 1901 and in subsequent years, the latter officially became a colony of the United States. In order to convert the Philippines into her colony, the United States waged another war against the Philippines in 1901, which ended in the "pacification" of the latter.

[2] The Anglo-Boer War, 1899-1902, waged by England against the Boer republics—the Transvaal and the Orange Free State—in South Africa. The Boers—from a Dutch word meaning peasants—were the descendants of Dutch settlers who migrated to South Africa as far back as the seventeenth century. In the nineteenth century they formed the above-mentioned republics, which were independent of Holland and of all other European states. England, which had been gradually surrounding these two republics, by acquiring new territories in South Africa, made repeated attempts to convert them into her colonies. At the end of the last century, when the diamond and gold fields began to be worked there, the English first made a raid on the Transvaal—the notorious Jameson raid—and then officially declared war on the two republics which had concluded an alliance with each other. The war, marked by alternating victories and defeats on either side, lasted four years, and finally ended in the victory of the British forces. Against a total Boer population of 645,000 the British government mobilised, at home and in the colonies, a force of 500,000 officers and men. The British imperialists, keen on securing a

profitable field for the investment of their capital, ruthlessly suppressed the Boer troops and the civil population. The war cost the British tax payers about £200,000,000. Ultimately, the two independent republics were abolished and their territories united with Cape Colony in what is now the Union of South Africa, a British Dominion.

[2] Lenin has in mind, in the main, chapter II of Hilferding's *Finance Capital*. In this chapter, Hilferding tries to "deepen" and "correct" Marx by quoting facts regarding Austrian and Indian economics. In his introduction to *The Critique of Political Economy* and in *Capital*, Vol. I, chapter III, Marx determines the value of paper currency by the value of metal money (gold), for which paper currency serves as a substitute. According to Marx, the laws governing the circulation of paper currency can be understood on the basis of the laws governing the circulation of gold. In opposition to Marx, however, Hilferding asserts that "where paper currency is exclusively in circulation....paper currency....becomes completely *independent of the value of gold and directly reflects the value of commodities*." (Our italics.—*Ed.*) (*Cf.* Hilferding, *Finance Capital*, fifth German edition, p. 20.)

CHAPTER I

CONCENTRATION OF PRODUCTION AND MONOPOLIES

THE enormous growth of industry and the remarkably rapid process of concentration of production in ever larger enterprises represent one of the most characteristic features of capitalism. Modern industrial censuses give us most complete and exact data on this process.

In Germany, for example, of every 1,000 industrial enterprises there were in 1882 three big enterprises—*i.e.*, those employing more than 50 hired workers—six in 1895, nine in 1907; and out of every 100 workers, they employed 22, 30 and 37 respectively. Concentration of production, however, is much more intense than the concentration of workers, since labour in the big enterprises is much more productive. This is shown by the data on steam engines and electric motors. If we take what in Germany is called industry "in the broad sense," *i.e.*, including commerce, transport, *etc.*, we get the following picture: large-scale enterprises, 30,558 out of a total of 3,265,623, or only 0.9 per cent. These employ 5.7 million out of a total of 14.4 million workers, *i.e.*, 39.4 per cent; they use 6.6 million steam horse-power out of 8.8 million, *i.e.*, 75.3 per cent; and 1.2 million kilowatts of electricity out of 1.5 million, or 77.2 per cent.

Less than one one-hundredth of the total number of enterprises use *more than three-fourths* of the total steam and electric power! The 2.97 million small enterprises (employing up to five wage workers) constituting 91 per cent of the total number of enterprises, use only 7 per cent of the steam and electric power. Tens of thousands of the largest enterprises are everything; millions of small ones are nothing.

In 1907, there were 586 establishments in Germany employing one thousand or more workers. They employed nearly one-tenth (1.38 million) of the total number of workers and used almost one-third (32 per cent) of the total steam and electric power.* As we shall see, financial capital and the banks render this superiority of a handful of the largest enter-

* *Annalen des deutschen Reiches*, 1911, pp. 165-169.

prises still more crushing, and in the most literal sense of the word, since millions of small, medium, and even some of the big "owners" are in fact in complete subjection to a few hundred millionaire financiers.

In another advanced country of modern capitalism, the United States of America, the growth of concentration of production is still more pronounced. Here statistics deal with industry in the narrow sense of the word, and group enterprises according to the value of their annual output. In 1904 large-scale enterprises, with an annual output of $1,000,000 and over, numbered 1,900 (out of 216,180, *i.e.*, 0.9 per cent). These employed 1.4 million workers (out of 5.5 million, *i.e.*, 25.6 per cent) and their annual output was valued at $5,600,000,000 (out of $14,800,000,000, *i.e.*, 38 per cent). Five years later, in 1909, the corresponding figures were: 3,060 enterprises out of 268,491, *i.e.*, 1.1 per cent, with 2 million workers out of 6.6 million *i.e.*, 30.5 per cent, and with an output of $9,000,000,000 out of $20,700,000,000, *i.e.*, 43.8 per cent.*

Almost half the total production of all the enterprises of the country is in the hands of *one-hundredth* part of those enterprises! And these 3,000 giant enterprises embrace 268 branches of industry. From this it is clear that, at a certain stage of its development, concentration leads, so to speak, very close to monopoly. For a score or so of giant enterprises can easily arrive at an agreement, while on the other hand, the difficulties of competition and the tendency towards monopoly arise precisely from the large size of the enterprises. This transformation of competition into monopoly is one of the most important—if not the most important—phenomena of the newest capitalist economy, and we must deal with it in greater detail. But first we must clear up one possible misunderstanding.

American statistics say: 3,000 giant enterprises in 250 branches of industry, as if there were only a dozen large-scale enterprises for each branch.

But this is not the case. There are not large enterprises in every branch of industry; and moreover, an extremely important feature of capitalism which has reached its highest stage of development is the so-called *combine*, *i.e.*, the uniting in a single enterprise of different branches of industry, which represent either consecutive stages in the working up of raw

* *Statistical Abstract of the United States*, 1912, p. 202.

material (for example, the smelting of iron ore into pig iron, the conversion of pig iron into steel, and then, perhaps, the manufacture of various steel products), or branches which act as auxiliaries to one another (for example, the utilisation of waste or by-products, the manufacture of packing materials, etc.).

> Combination—writes Hilferding—levels out the fluctuations of trade and therefore assures to the combined enterprise a more stable rate of profit. Secondly, combination tends to abolish trade. Thirdly, it renders possible technical improvements, and consequently the acquisition of additional profits as compared with those obtained by the "pure" [i.e., non-combined] enterprises. Fourthly, it strengthens the position of the combined enterprise compared with the "pure" ones in the competitive struggle during periods of serious depression [a slump in business, a crisis], when the fall in prices of raw materials does not keep pace with the fall in price of manufactured articles.*

The German bourgeois economist, Heymann, who has devoted a special book to a description of "mixed," i.e., combined, enterprises in the German iron industry, says: "'Pure' enterprises are being crushed between the high price of materials and the low price of the finished product. .." Thus we get the following picture:

> There remain, on the one hand, the great coal companies, with an output of several millions of tons, strongly organised in their coal syndicate, and, closely united with them, the great steel works and their syndicate. These gigantic enterprises, producing 400,000 tons of steel per annum, fabulous quantities of ore and coal, enormous quantities of finished products, employ 10,000 workers housed in barracks of factory towns, sometimes owning their own ports and railroads, are typical of the German iron industry. And concentration goes further and further. Individual enterprises are becoming larger and larger. An ever-increasing number of factories, in one or different branches of industry, join together in giant enterprises, backed and directed by half a dozen big Berlin banks. In the mining industry, the truth of the teaching of Karl Marx on concentration has been definitely proven, in any case in a country, such as ours, which is protected by tariffs and transportation rates. The German mining industry is ripe for expropriation."**

*Rudolf Hilferding, *Das Finanzkapital*, 2nd Ed., p. 254.

**Hans Gideon Heymann, *Die gemischten Werke im deutschen Grosseisengewerbe, Stuttgart*, 1904, pp. 256, 278-279.

Such is the conclusion which an exceptionally conscientious bourgeois economist had to reach. It must be noted that he seems to place Germany in a special category because her industries are secured by high protective tariffs. But this circumstance could only accelerate concentration and formation of monopolistic manufacturers' combines, cartels, syndicates, *etc.* It is extremely important that in a free-trade country, England, concentration *also* leads to monopoly, although somewhat later and perhaps in a different form. Professor Hermann Levy, in his special study on *Monopolies, Cartels and Trusts*, based on data of British economic development, writes as follows:

> In England a tendency to monopoly is contained in the size of the undertakings and in their high capacity for production. This is so because, to begin with, the huge investments of capital per enterprise, once the movement for concentration has set in, enhance the demand for the procurement of capital for new enterprises and thereby render their launching more difficult. But further (and this we consider the more important point) every new enterprise which aims at keeping pace with the giants of industry which have been created upon the basis of the process of concentration represents such a tremendous quantity of superfluous goods that their turnover is possible only if an enormous increase in demand takes place, or else the superfluity of goods will force prices down to a level which is unprofitable for the new enterprise, as well as for the monopolist combines.

Unlike other countries, where protective tariffs facilitate the formation of cartels, monopolist advantages can, in general, be utilised in Great Britain through cartels and trusts only when the competing enterprises are reduced to a small number, as a rule to some two dozen or so single firms.

> The influence of concentration on the monopoly organisation in big industry is seen here with crystal clearness.*

Fifty years ago, when Marx was writing *Capital*, free competition appeared to the overwhelming majority of economists to be a "natural law." Official science tried, by a conspiracy of silence, to kill the works of Marx which, by a theortical and historical analysis of capitalism, showed that free competition gives rise to the concentration of production which at a certain

*Hermann Levy, *Monopole, Kartelle und Trusts*, Jena, 1909, pp. 290, 296-298.

stage of its development, leads to monopoly. Today, monopoly has become a fact. The economists are writing mountains of books in which they describe the various manifestations of monopoly, but continue to declare in chorus that "Marxism stands refuted." But facts are stubborn things, as the English proverb says, and they have to be reckoned with, whether we like it or not. The facts show that differences between various capitalist countries, *e.g.*, in the matter of protection or free trade, necessitated only insignificant variations in the form of monopolies or in the time of their appearance; and the rise of monopolies, as the result of the concentration of production in general, is a general and fundamental law of the present stage of development of capitalism.

For Europe, the time when the new capitalism was *finally* substituted for the old can be established with fair precision: it was the beginning of the twentieth century. In one of the latest comprehensive works on the history of the formation of monopolies, we read:

> Only a few isolated examples of capitalist monopoly can be cited in the period prior to 1860; in these can be discerned the embryo of the forms that are so common today, but all that is unquestionably prehistoric to the age of cartels. The real beginning of modern monopoly goes back at the earliest to the 'sixties. Its first important period of development began at the time of the international depression of the 'seventies and continued till the beginning of the 'nineties....If we examine the question from a European point of view, free competition reached its highest point in the 'sixties and 'seventies. It was then that England completed the construction of its old style capitalist organisation. In Germany, this organisation entered into a decisive struggle with handicraft and home industry, and began to create for itself its own forms of existence... The great transformation began with the crash of 1873, or rather, the depression which followed it and which, with a hardly discernible interruption in the early 'eighties and an unusually strong but short-lived boom about 1889, marks twenty-two years of European economic history... During the short boom period of 1889-1890, the system of cartels was widely resorted to in order to take advantage of market conditions. A thoughtless policy forced up prices even more quickly and higher than probably would have been the case otherwise, and nearly all these cartels perished ingloriously in the smash. Another five years of poor business and low prices followed, but a new spirit reigned in industry. The depression was no longer regarded as something to be taken for

granted, but as only a pause before another boom.

Thus the cartel movement entered its second phase. Instead of being a transitory phenomenon they became one of the foundations of all economic life. They won one field of industry after another, primarily the working up of raw materials. At the beginning of the 'nineties the cartel system had already acquired—in the organisation of the coke syndicate, on the model of which the coal syndicate was later formed—a cartel technique which has never been really surpassed. For the first time, the great boom at the close of the century and the crisis of 1900-1903 occurred at least in the mining and smelting industries entirely under the aegis of the cartels. While at that time it was taken to be something novel, now, at any rate, the general public takes it as an accepted truism that large spheres of economic life have been, as a general rule, removed from free competition.*

Thus, the principal results in the history of monopolies are: 1. In the 'sixties and 'seventies, the highest, furthermost stage of development of free competition with monopolies as barely discernible embryos. 2. After the crisis of 1873, a period of wide development of cartels; but they are still the exception. They are not yet durable. They are still a transitory phenomenon. 3. The boom at the end of the nineteenth century and the crisis of 1900-1903. Cartels become one of the foundations of all economic life. Capitalism has become transformed into imperialism.

Cartels enter into agreements as to conditions of sale, terms of payment, etc. They divide the markets among themselves. They fix the quantity of goods to be produced. They fix prices. They divide the profits among the different enterprises, etc.

The number of cartels in Germany was estimated at about 250 in 1896, and at 385 in 1905, with about 12,000 firms participating. But it is generally recognised that these figures are underestimates. From the German industrial statistics for 1907 which we quoted above, it is evident that even the 12,000 largest enterprises certainly used more than half the total steam and electric power. In the United States, the number of trusts in 1900 was 185; in 1907, 250. American statistics divide all in-

* Th. Vogelstein, "*Die finanzielle Organisation der kapitalistischen Industrie und die Monopolbildungen*" in *Grundriss der Sozialokonomik*, Tubingen, 1914, VI, pp. 222 *ff.*; *cf.* also the same author's "*Kapitalistische Organisationsformen in der modernen Grossindustrie*," Vol. I, *Organisationsformen der Eisenindustrie und Textilindustrie in England und Amerika*, Leipzig, 1910.

dustrial enterprises into those that belong to individuals, firms, and corporations. In 1904 the latter comprised 23.6 per cent, and in 1909, 25.9 per cent, *i.e.*, more than one-fourth of the total number of enterprises. In 1904 these works employed 70.6 per cent of the workers and in 1909, 75.6 per cent, three-fourths of the total number. Their respective production at these two dates amounted to $10,900,000,000 and to $16,300,000,000, *i.e.*, 73.7 and 79 per cent of the total.*

Not infrequently, cartels and trusts have concentrated in their hands seven or eight-tenths of the total production of a given branch of industry. The Rhine-Westphalian Coal Syndicate, at the time of its formation in 1893, controlled 86.7 per cent of the hard coal production of the district. In 1910, it controlled 95.4 per cent.† The monopoly so created assures enormous returns, and leads to the formation of technical-productiive units of unprecedented size. The famous oil trust in the United States, the Standard Oil Company, was founded in 1900:‡

> It has an authorised capital of $150,000,000. It issued $100,000,000 of common and $106,000,000 of preferred shares of stock. From 1900 to 1907 these earned dividends of 48, 48, 45, 44, 36, 40, 40, 40 per cent, $367,000,000 in all. From 1882 to the end of 1907 clear profits to the amount of $889,000,000 were realised, of which $606,000,000 was distributed in dividends. The rest went into the reserve fund.....
>
> In 1907 all the plants of the steel trust (United States Steel Corporation) employed no less than 210,180 workers and office employees....The largest enterprise in the German mining industry the Gelsenkirchen Mining Com-

*Dr. Riesser, *Die deutschen Grossbanken und ihre Konzentration im Zusammenhange mit der Entwicklung der Gesamtwirtschaft in Deutschland*, 4th Ed., 1912, pp. 148, 149; Robert Liefmann, *Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation*, 2nd Ed., 1910, p. 25, 117. (*Cf.* also *Statistical Abstract of the United States*, 1912, p. 202.—*Ed.*)

†Dr. Fritz Kestner, *Der Organisationszwang. Eine Untersuchung uber die Kampfe zwischen Kartellen und Aussenseitern*, Berlin, 1912, p. 11.

‡Holding company was formed in 1899 to replace trust agreement of 1882.—*Ed.*

pany (*Gelsenkirchener Bergwerksgesellschaft*) employed 46,048 persons in 1908.*

As early as 1902, the steel trust produced 9 million tons of steel.† Its steel output constituted, in 1901, 66.3 per cent, and in 1908, 56.1 per cent of the total steel production in the United States,‡ for the same years the output of ore was 43.9 per cent and 46.3 per cent, respectively.

A report of the American government bureau on trusts says:

> The concentration of tobacco manufacture in large plants and the specialisation of these plants, to a considerable degree, for particular classes of tobacco, has permitted a somewhat greater utilisation of machine methods of production than is possible for smaller concerns.... The important relation which machine patents have borne to the development of the Combination is indicated by the fact that almost at its inception it made contracts for the exclusive use of the cigarette machines of the Bonsack Machine Company..... In some instances patents have been purchased, only to be set aside and abandoned; in many other instances the company has spent large amounts of money in developing the machines covered by patents to a point of practical utility....
>
> At the end of 1906 the American Tobacco Company controlled two corporations whose only business was the holding of patents for tobacco machinery.... In March, 1900, the American Tobacco Company organised the American Machine and Foundry Company and transferred to it all of its machine manufacturing as well as most of its repair work. This company's plant is at Brooklyn. In 1906 it employed an average of nearly 300 workmen. At its shops the different machines controlled by the American Tobacco Company directly and those controlled by the International Cigar Machinery Company are being developed ¶

Other trusts also employ so-called developing engineers whose business it is to devise new methods of produc-

*Robert Liefmann, *Beteiligungs-und Finanzierungsgesellschaften. Eine Studie uber den modernen Kapitalismus und das Effektenwesen*, Jena, 1909, pp. 212, 218.

†S. Tschierschky, *Kartell und Trust, Gottingen*, 1903, p. 13.

‡Th. Vogelstein, *Organisationsformen*, p. 275.

¶*Report of the Commissioner of Corporations on the Tobacco Industry*, Part I, Washington, 1909, pp. 266-267, quoted by Dr. Tafel, *Die nordamerikanischen Trusts und ihre Wirkungen auf den Fortschritt der Technik*, Stuttgart, 1913, p. 48.

tion and to test technical improvements. The steel trust pays its workmen and engineers big bonuses for all inventions suitable for improving technique or for lessening costs.*

In the German large-scale industry, *e.g.*, in the chemical industry, which has so tremendously developed during these last few decades, the promotion of technical improvement is similarly organised. By 1908, the process of concentration of production had already given rise to two main "groups" in this industry, which, in their own way, approached a monopoly. At first these groups were "dual alliances" of two pairs of the biggest factories, each having a capital of 20 or 21 million marks; on the one hand the former Meister factory at Hochst-on-Main [formerly Meister, Lucius & Bruning, now Hochster Dye Works—*Ed.*] and Leopold Cassella & Co. at Frankfort-on-Main; and on the other hand the aniline and soda factory at Ludwigshafen-on-Rhine and the former Bayer factory at Elberfeld. In 1905 one of these groups, and in 1908 the other, concluded separate agreements, each with yet another big factory. There resulted two "triple alliances," each with a capital of 40 to 50 million marks, and these "alliances" were beginning to come close to one another, to make "arrangements" about prices, etc.†

Competition is transformed into monopoly. The result is an immense progress towards the socialisation of production. The process of technical invention and improvement, in particular, is becoming socialised.

This is no longer the old type of free competition between manufacturers, scattered and uninformed about one another, and producing for an unknown market. Concentration has reached the point where it is possible to make an approximate survey of all sources of raw material (for example, the iron ore deposits) of a country, and even, as we shall see, of several countries, or of the whole world. Not only are such surveys made, but these sources are seized by gigantic monopolist associations. An approximate estimate of the capacity of the market is also made, and these associations "divide" it up among themselves by contractual agreement. Skilled labour

*Dr. Tafel *op. cit.*, pp. 48,49.

†Riesser *op. cit.*, p. 547 *ff.* In June, 1916, the newspapers announced the establishment of a big trust embracing the whole of the German chemical industry.

is monopolised, the best engineers are engaged; the means of transportation—railways in America, steamship companies in Europe and America—are seized. Capitalism, in its imperialist stage, arrives at the threshold of the widest socialisation of production. It drags, as it were, the capitalists, against their will and understanding, into some new social order, which is transitional, leading from complete freedom of competition to complete socialisation.

Production becomes social, but appropriation remains private. The social means of production remain the private property of a few. The general framework of formally recognised free competition remains, and oppression by a few monopolists of the rest of the population becomes a hundred times more intense, more palpable and intolerable.

The German economist Kestner has written a book especially on "the struggle between the cartels and outsiders," *i.e.*, entrepreneurs who did not enter the cartels. He called his book *Compulsory Organisation*,[1] although, in order not to embellish capitalism, he, of course, should have spoken of compulsory submission to monopolist associations. This book is edifying if only for the list it gives of the methods resorted to by monopolist associations in this modern, latest and civilised struggle for "organisation." They are as follows:

1. Cutting off supplies of raw materials ("one of the most important means of compelling entrance into the cartel"); 2. stopping supply of labour by "alliances" (*i.e.*, agreements between the capitalists and the trade unions by which the latter permit their members to work only in trustified enterprises); 3. cutting off local means of transport; 4. closing of trade outlets; 5. agreements with the buyers, by which the latter undertake to trade only with the cartels; 6. systematic price-cutting to ruin "outsiders," *i.e.*, firms which refuse to submit to the monopolists. Millions are spent in order to sell goods for a certain length of time below their cost (in the benzine industry there were cases of prices being lowered from 40 to 22 marks, *i.e.*, reduced by almost half!); 7. cutting off credits; 8. boycott †

This is no longer a competitive struggle between small and large, between technically developed and backward enterprises. We see here the monopolists throttling those who do

[1] Kestner, *op. cit.*

†*Ibid*, pp. 31-137.—*Ed.*

not submit to the monopoly, to its yoke, to its dictation. The following is the way in which this process is reflected in the consciousness of a bourgeois economist:

> Even in purely economic activity—writes Kestner—a transition is taking place from commercial activity in the old sense of the word towards organisation and speculation. The greatest success no longer goes to the merchant whose technical and commercial experience enables him best of all to estimate the needs of the buyer and, so to speak, to discover latent demand and rouse it effectively: it goes to the speculative genius [?!] who knows how to estimate in advance or at least to sense in advance the organisational development and the possibilities of connections between individual enterprises and the banks.*

Translated into ordinary human language this means that the development of capitalism has arrived at a stage at which, although commodity production still "reigns" and is regarded as the basis of all economic life, it has in reality already been undermined, and the main profits go to the "geniuses" of financial manipulations. At the basis of these swindles and manipulations lies the socialisation of production; but the benefit of the immense progress of humanity in attaining this socialisation goes only to ...the speculators. We shall see later how the reactionary, petty-bourgeois critique of capitalist imperialism dreams "on this basis" of going back to "free," "peaceful" and "honest" competition.

> A lasting rise in prices which results from the formation of cartels—says Kestner—has hitherto been observed only in connection with the most important means of production, particularly coal, iron and potash, and has never been observed for any length of time in manufactured goods. Similarly, the concomitant increase in profits has likewise been confined to the industries which produce means of production. To this observation we must add that industry which works up raw materials [not semi-finished goods] thanks to cartels not only secures advantages in the shape of high profits to the detriment of industries which work up semi-finished goods, but has acquired a *dominating position* over the latter, which did not exist under free competition.†

The words which we have italicised reveal the essential feature which the bourgeois economists recognise so rarely and

Ibid, p. 241.—*Ed.*

†*Ibid*, p. 254. (Lenin's italics.—*Ed.*)

so reluctantly, and which the modern champions of opportunism, led by Kautsky, so zealously try to evade. A dominating position, and the pressure which goes with it—these are typical features of the "latest phase of capitalist development"; this is what inevitably had to result, and has resulted, from the formation of all-powerful economic monopolies.

We will give one more example of the domination of cartels. It is particularly easy for cartels and monopolies to arise when it is possible to seize all the sources of raw materials, or at least the most important of them. It would be wrong, however, to assume that monopolies do not arise also in branches of industry in which it is impossible to corner the sources of raw materials. The cement industry can find its raw materials everywhere. Yet in Germany it is strongly trustified. The works have been united into regional syndicates: South German, Rhine-Westphalian, *etc.* Monopoly prices have been fixed: 230 to 280 marks a carload, with a cost price of 180 marks! The enterprises pay a dividend of from 12 to 16 per cent—and let us not forget that the "geniuses" of modern speculation know how to pocket big sums in profits besides those they draw by way of dividends. Now, in order to prevent competition in such a profitable industry, the monopolists even stoop to sharp practices. For example, they spread false rumours about the bad condition of the industry; anonymous warnings are published in the newspaper, such as "Capitalists, beware of putting your capital in the cement industry!" Finally they buy up "outsiders" (those outside the trusts) and pay them "indemnities" of from 60 or 80 to 150 thousand marks.* Monopoly finds a way by any and every means, from paying "modest" indemnities to the American device of "applying" dynamite to a competitor.

The idea that cartels can abolish crises is a fable spread by bourgeois economists who at all costs want to put capitalism in a favourable light. On the contrary, when monopoly appears in *some* branches of industry, it increases and intensifies the state of chaos inherent in capitalist production *as a whole*. The disparity between the development of agriculture and that of industry, which is characteristic of capitalism generally, is increased. The privileged position of the most highly trustified industry, the so-called *heavy* industry, especially coal and iron,

* Ludwig Eschwege, "*Zement*" in *Die Bank*, 1909, I, p. 115 *ff.*

causes in other branches of industry "a still greater lack of planning"—as Jeidels, the author of one of the best works on the relationship of the great German banks to industry, admits.*

> The more a national economy is developed—writes Liefmann, an unblushing apologist of capitalism—the greater is the attention given to more risky or foreign enterprises, to such as need a great deal of time to develop, or, finally, to such as are only of local importance.**

The increase of risk is connected in the long run with the prodigious increase of capital, which overflows, as it were, flows abroad, *etc.* At the same time the extremely rapid rate of technical progress gives rise more and more to elements of contradiction between the various aspects of national economy, to a state of chaos and crises. This same Liefmann is obliged to admit that:

> In all probability mankind will again see important technical revolutions in the near future, which will also affect the economic system....[Electricity, aviation....] As a general rule, in such periods of radical economic change, speculation becomes rife.†

Crises of every kind—economic crises most frequently, but not only these—in their turn increase very considerably the tendency towards concentration and monopoly. In this connection, the following reflections of Jeidels on the significance of the crisis of 1900, which was, as we have already seen, the turning-point in the history of modern monopoly, are exceedingly instructive.

> The crisis of 1900 found, side by side with giant enterprises in the basic industries, many "pure" [*i.e.*, not combined] enterprises, with what would be regarded to-day as an obsolete organisation, and which had risen on the crest of the industrial boom. The fall in prices and the falling off of demand forced these "pure" enterprises into difficulties that did not affect the giant combined enterprises at all, or only for a very short time. As a conse-

* Otto Jeidels, *Das Verhaltnis der deutschen Grossbanken zur Industrie, mit besonderer Berucksichtigung der Eisenindustrie*, Leipzig, 1905, p. 271.

** Liefmann, *Beteiligungsgesellschaften*, p. 434.

† *Ibid*, pp. 465, 466.

quence of this, the crisis of 1900 resulted in a far greater concentration of industry than that of 1873. The latter crisis, it is true, brought about a selection, but owing to the level of technical development, this selection could not place the firms which successfully emerged from the crisis in the position of a monopoly. It is precisely this durable and high degree of monopoly that the gigantic enterprises in the iron and electrical industries enjoy to-day—and to a lesser degree the engineering industry, and certain branches of the metallurgical, transport and other industries—owing to the complicated technical processes they employ, to their elaborate organisation and the vast amount of capital invested.*

Monopoly : this is the last word in the " latest phase in the development of capitalism." But we shall only have a very insufficient, incomplete, and poor notion of the real power and the significance of modern monopolies if we do not take into consideration the role played by the banks.

* Jeidels, *op. cit.*, p. 108.

NEW DATA FOR CHAPTER I

CONCENTRATION OF PRODUCTION IN GERMAN INDUSTRY

(In the broad sense, *i.e.*, including commerce, transportation and communications, etc.)

	1882	1895	1907	1925	1933[1]
Number of establishments per thousand employing 50 persons and over ..	3	6	9	12	8
Number of persons per hundred employed in establishments employing 50 persons and over.	22	30	37	48	38

SOURCES: The figures for 1882, 1895 and 1907 are quoted from Lenin. Those for 1925 and 1933 have been computed from the summaries of industrial censuses published in *Statistik des Deutschen Reichs*, Bd. 413, I. Teil, S. 252, 276-279 and Bd. 462 H. 2, S. 5, 58-61.

CONCENTRATION OF PRODUCTION IN GERMAN INDUSTRY

(In the broad sense, i. e., including commerce, transportation and communications, etc).

	1907	1925	1933[1]
Total number of establishments	3,265,623	3,489,374	3,541,809
No. of big establishments (empl. 50 and over)	30,588	43,099	29,004
Proportion of big establishments (%)	0.9	1.2	0.8
No. employed			
In all establishments } millions	14.4	18.7	14.6
In big establishments } millions	5.7	8.9	5.5

[1] The diminution in the proportion of big establishments in 1933 was due to the crisis: owing to the diminution in the number of persons employed many establishments were transferred to the smaller size groups.

	1907	1925	1933
Proportion of big establishments (%)	39.4	47.6	38.0
Total motive power directly transferring energy to machines:			
In all establishments } million h. p.	9.95	19.9	25.3
In big establishments } million h. p.	7.51	15.7	18.8
Proportion of big establishments (%)	75.5	78.9	74.2
Non-Electric motive power: *			
In all establishments } million h. p.	8.8	6.7	6.8
In big establishments } million h. p.	6.6	5.1	4 7
Proportion of big establishments (%)	75.3	75.8	68.9
Power of Electric Motors:			
In all establishments } million kw.	1.5	9.7	13.6
In big establishments } million kw.	1.2	7.8	10.4
Proportion of big establishments (%)	77.2	80.4	76.2
No. of small establishments (employing up to 5 wage earners)	2,970,000	3,109,194	3,254,906
Proportion of small establishments to entire industry:			
According to no. of establishments } %	91.0	89.1	91.9
According to amount of steam and electric power employed } %	7.4	7.6	11.4

* Lenin terms it steam horse power.

SOURCES: The figures for 1907 are quoted from Lenin; Lenin gives the proportion of small establishments according to steam and electric power employed in the round figure of 7%. The figures for the power of all motors were computed by adding together the power of non-electric (conventionally steam) and electric motors, the kilowatt power of the latter being converted into h.p. (1 h.p. equal to 0.736 kw). The figures for 1925 and 1933 are taken from the industrial censuses published in *Statistik des Deutschen Reichs*, Bd. 413, I. Teil, S. 252, 276-279 and Bd. 462, H. 2, S. 5, 58-61. The power of electric motors for 1925 and 1933 given in the censuses in terms of h.p. has been converted into kilowatts.

ESTABLISHMENTS IN GERMAN INDUSTRY EMPLOYING 1,000 AND OVER

(In the broad sense, i. e., including commerce, transportation and communications, etc.)

	1907	1925	1931†
Number of establishments	586	1,122	639
Number employed (millions)	1.38	2.50	1.22

†Cf. footnote to page 36.

Proportion of above establishments to entire industry:

		1907	1925	1931
a) according to no. of establishments	%	0.017	0.032	0.018
b) " " " employed	%	9.6	13.4	8.4
c) " " total motive power	%	32.0	41.2	32.4
d) " " electric motors	%	32.0	41.6	31.7

SOURCES: The figures for 1907 are quoted from Lenin; Lenin gives the figure 9.6 in round number as "one-tenth." The figures for 1925 and 1933 are quoted from the industrial censuses published in *Statistik des Deutschen Reichs*, Bd. 413, I. Teil, S. 252, 276-79 and Bd. 462, H. 2, S. 5, 58-61.

CONCENTRATION OF PRODUCTION IN UNITED STATES MANUFACTURING INDUSTRY

	1904	1909	1914	1914	1923	1929
	(Establishments with total value of products of over $500 per annum)			(Establishments with total value of products of over $5,000 per annum)		
Entire manufacturing industry						
Number of establishments	216,180	268,491	272,518	177,110	196,309	210,959
Number of workers in all establishments (millions)	5.5	6.6	7.0	6.9	8.6	8.8
Products, total value (billion dollars)	14.8	20.7	24.2	24.0	60.6	70.4
Big establishments with an annual output of over 1 million dollars:						
Number of establishments	1,900	3,060	3,819	3,819	10,327	11,763
Number of workers (mill.)	1.4	2.0	2.5	2.5	5.0	5.1
Products, total value (billion dollars)	5.6	9.0	11.8	11.8	40.2	48.8
Proportion of establishments with an annual output over 1 million dollars to total (%):						
According to number of establishments	0.9	1.1	1.4	2.2	5.3	5.6
According to number of workers	25.6	30.5	35.7	36.2	56.8	58.0
According to total value of products	38.0	43.8	48.8	49.2	66.3	69.3

Unlike pre-war censuses, post-war censuses do not take into account very small establishments having an output of 500 to 5,000 dollars per annum. In order to show the significance of this change in the system of computation, the table contains two columns of figures for 1914 : the first row includes all establishments having an output of over 500 dollars per annum, while the other includes establishments having an output of over 5,000 dollars per annum. As can be seen from these columns, the exclusion of the very small establishments hardly affects the share of the several groups of establishments of the total number of workers employed and of gross output ; but it does materially affect them in regard to their proportion to the total number of establishments.

SOURCES : The figures for 1904 and 1909 are quoted from Lenin. Except for the total number of establishments, the figures for 1914, 1923 and 1929 are taken from the *Statistical Abstract of the United States*, 1932, pp. 730-31. The figures of the total number of establishments for 1914 are taken from the *Biennial Census of Manufactures*, 1923, p. 12 ; and for the years 1923 and 1929 from the *Fifteenth Census of the United States*, Vol. I, p. 16.

CONCENTRATION OF PRODUCTION IN UNITED STATES MANUFACTURING INDUSTRY

Year	Entire Industry (enterprises with an output over $5,00 per annum)	Establishments employing: Up to 5 workers	From 6 to 50 workers	Over 50 workers: Total	Over 50 workers: Employing over 1,000 workers
		Number of establishments			
1909	175,142	70,652	80,742	23,748	540
1914	177,110	75,638	76,833	24,639	648
1929	210,959	103,193	78,546	29,220	996
1933	141,769	61,670	58,752	21,347	—
		Number of workers employed (thousands)			
1909	6,473	170	1,405	4,898	1,013
1914	6,896	133	1,344	5,369	1,255
1929	8,839	280	1,410	7,149	2,160
1933	6,056	158	1,046	4,582	—
		Mechanical power (thousands h.p.)			
1929	42,931	1,694	5,903	35,334	11,582
		PROPORTION TO ENTIRE INDUSTRY (%)			
		(According to number of establishments)			
1909	100	40.3	46.1	13.6	0.3
1914	100	42.7	43.4	13.9	0.4
1929	100	48.9	37.2	13.9	0.5
1933	100	43.5	41.4	15.1	—
		(According to number of workers employed)			
1909	100	2.6	21.7	75.7	15.6
1914	100	2.7	19.5	77.8	18 2
1929	100	3.2	16.0	80.8	24.4
1933	100	2.6	17.2	80.1	—
		(According to motive power)			
1929	100	3.9	13.8	82.3	27.0

SOURCES: *Thirteenth Census of the United States*, 1910, Vol. VIII, pp. 180, 206, 207; *Biennial Census of Manufactures*, 1923, pp. 1180, 1181; *Fifteenth Census of United States Manufactures*, 1929, Vol. I: General Report, pp. 62, 63, 147; *Statistical Abstract of the U.S.*, 1935, p. 716.

Industries	Establishments according to number employed											
	Number of establishments				Number of persons employed (thousands)				Proportion according to number of persons employed (%)			
	from 11 to 49 persons	from 50 to 299 persons	from 300 to 999 persons	1000 persons and over	from 11 to 49 persons	from 50 to 299 persons	from 300 to 999 persons	1000 persons and over	from 11 to 49 persons	from 50 to 299 persons	from 300 to 999 persons	1000 persons and over
Iron and Steel (total)	1,651	1,339	319	68	43	161	163	126	8.7	32.7	33.0	25.6
a) Blast furnaces	41		27		6		14		30		70	
b) Smelting and rolling	67	121	76	39	2	17	42	76	1.5	12.4	30.6	55.5
Mechanical engineering	1,506	1,020	239	73	39	122	126	158	8.8	27.4	28.3	35.5
Electrical engineering	304	230	82	37	8	28	46	110	4.2	14.6	23.9	57.3
Shipbuilding	156	151	63	31	4	19	34	67	3.2	15.3	27.4	54.1
Motor and cycle	420	268	83	39	11	32	47	106	5.6	15.9	24.1	54.4
Aircraft	9	21		8	0.2	10		12	1.1	44.8		54.1
Non-ferrous metals	794	470	64	5	20	52	31	6	18.3	47.8	28.4	5.5
Textiles (total)	2,244	3,349	662	92	61	443	317	174	6.1	44.5	31.9	17.5
a) cotton spinning	174	560	169	8	5	86	79	20	2.6	45.3	41.6	10.5
b) cotton weaving	230	795	144	13	7	109	64	18	3.4	55.0	32.4	9 2
c) woolen and worsted	415	736	157	28	12	99	77	41	5.2	43.2	33.6	18.0
d) silk & artificial silk	69	94	18	14	2	12	10	36	3.3	20.0	16.7	60 0
Clothing, shoes, headwear & millinery	3,886	1,931	253	32	94	217	118	48	19.7	45.5	24.7	10.1

This table has been compiled on the basis of the first two volumes of the Fourth Census of British Production, as published in 1934, which gives combined statistical data on the concentration of British industry. The accuracy of the figures is diminished by the fact that individual establishments forming part of combines are regarded as independent production units, which lowers the level of concentration. On the other hand, in a number of cases, firms owning several production units of an analogous kind in one locality gave information concerning them as of a single establishment.

The table does not take into account establishments employing less than 11 persons. The proportion of persons employed in these small establishments to the *total* number employed according to industry is as follows:

Iron and steel 6.5% ; general engineering 5.3% ; electrical engineering 3% ; shipbuilding 1.9% ; smelting and refining of non-ferrous metals 11% ; textiles 1.5% ; wool manufacture 1.4% ; silk and artificial silk 0.6% ; clothing, footwear, headwear and millinery 20.1%.

SOURCE : *Final Report on the Fourth Census of Production* (1930), London, 1934, Vol. I, II.

CONCENTRATION OF PRODUCTION IN FRENCH INDUSTRY

	Without Alsace-Lorraine		Including Alsace-Lorraine	
	1906	1926	1921	1926
Total number of establishments	2,335,114	1,515,382	1,721,212	1,560,918
No. of establishments employing over 50 persons	9,091	13,909	12,394	14,737
Proportion of these establishments to total (%)	0.38	0.91	0.72	0.94
No. of persons employed (millions): in all establishments	6.2	6.7	6.3	7.1
in establishments employing over 50 persons	1.9	3.0	2.6	3.2
Proportion of these establishments to total (%)	30.6	44.8	41.3	45.1
Giant establishments employing over 1,000 persons:				
Number of establishments	207	362	311	397
Numbers of persons employed (millions)	0.5	0.9	0.7	1.0
Proportion of these establishments to all industry (%)				
According to number of establishments	0.008	0.02	0.02	0.03
According to number of persons employed	8.1	13.4	11.1	14.1

SOURCE: *Bulletin de la Statistique Generale de la France*, Avril-Juin, 1933, pp. 404, 406.

DEVELOPMENT OF CONCENTRATION IN JAPAN

	1909	1913	1918	1923	1927	1933
Total number of companies	11,549	15,406	23,028	32,089	38,516	71,196
No. of big companies (with capital over 5 million yen)	38	59	293	589	687	713
Proportion of big companies to total (%)	0.3	0.4	1.3	1.8	1.8	1.0
Paid-up capital of all companies (million yen)	1,367	1,983	4,707	10,194	12,634	14,547
Paid-up capital of big companies with capital of over 5 million yen (million yen)	495	755	2,523	6,227	8,113	9,264
Proportion of capital of big companies to total capital (%)	36.2	38.1	53.6	61.1	64.2	63.7

SOURCES : *Resume Statistique de l'Empire du Japan*, Tokyo, 1912, p. 108 ; 1924, p. 72 ; 1930, p. 46 ; 1934, p. 4 ; 1936, pp. 46-47.

CONCENTRATION OF PRODUCTION IN JAPANESE INDUSTRY

Year	All Industry	Establishments employing: from 5 to 50 workers	from 50 to 1000 workers	over 1000 workers
	Number of establishments			
1914	31,717	28,550	3,082	85
1926	51,906	46,719	4,939	248
1931	65,026	59,531	5,335	160
1933	72,605	66,596	5,830	179
	Number of workers employed (thousands)			
1914	948	366	421	161
1926	1,875	581	782	512
1931	1,766	631	837	298
1933	2,010	732	912	366

Year	All Industry	Establishments employing: from 5 to 50 workers	from 50 to 1000 workers	over 1000 workers
		PROPORTION TO WHOLE OF INDUSTRY (%)		
		(According to number of establishments)		
1914	100	90.0	9.7	0.3
1926	100	90.0	9.5	0.5
1931	100	91.5	8.2	0.3
1933	100	91.7	8.1	0.2
		(According to number of workers employed)		
1914	100	38.6	44.4	17.0
1926	100	31.0	41.7	27.3
1931	100	35.7	47.4	16.9
1933	100	36.4	45.4	18.2

The above table shows a reduction in 1931 of the number of giant establishments employing over 1,000 workers, a reduction in the proportion of workers there employed to the total number of workers employed and a slight increase in the number of small establishments.

This is accounted for by the following:

1. The factory statistics on which this table is based do not take into account temporarily employed workers, whose proportion in the large-scale establishments greatly increased during the crisis. For this reason many of the big establishments, actually employing over 1,000 workers, have been classified with smaller establishments inasmuch as the number of workers permanently employed in them was less than 1,000.

2. The factory statistics did not take into account a large number of big establishments engaged in the manufacture of war materials. Thus, in 1931, 35 government establishments (17 engineering works, 6 chemical works, 7 food manufacturing establishments, etc.) and in 1933, 36 establishments were not included in the figures.

3. Owing to the curtailment of production during the crisis, a number of establishments which formerly employed over 1,000 workers reduced their staffs below 1,000 and were therefore classified with the smaller establishments. The staffs of these establishments were still further reduced as a result of rationalisation, which, by speeding up labour to an intense degree, brought about a sharp increase in the output per

worker. (In the cotton industry the output of cloth per worker was raised from 26,500 yards per annum in 1926 to 61,300 yards in 1932. In the coal industry the annual output per worker was raised from 149 tons in 1929 to 193 tons in 1932.)

For all these reasons, the figures showing the changes in the number of establishments employing over 1,000 workers do not accurately reflect the actual concentration of production that took place during the period of 1926-31.

The increase in the number of small establishments is due to the fact that, in view of the specific economic conditions in Japan, a number of large establishments consider it more profitable to have parts of the articles they manufacture produced by smaller outside establishments, which are dependent on the larger ones and are severely exploited by them.

SOURCES : *Rodo Tokey Yoran*, 1926-35.

UNEVEN CONCENTRATION OF PRODUCTION

The uneven concentration of production in different industries, which Lenin emphasises, is of decisive importance in explaining the uneven degree to which monopolies embrace different spheres of production.

The following figures indicate how uneven the concentration of production has been in post-war industry. (See table on p. 47.)

GROWTH OF COMBINED PLANTS IN INDUSTRY

The process of formation of combined plants in capitalist industry has been very intense during the last two decades. Its main trends have been as follows :

1. *The enormous increase in the size of combined plants.* The size of present-day combined plants can be judged from the following examples :

In the U.S.A.—The United States Steel Corporation has attained unprecedented dimensions. This trust has embraced every stage of metallurgical production from the mining of iron ore and coal to the gigantic blast furnaces, steel furnaces, rolling mills and plants for coke by-products, etc. The output capacity of the Gary Mills alone, which is an affiliate of the Steel Trust, is 3.1 million tons[1] of pig iron, 5.3 million tons of

PROPORTION OF GIANT ESTABLISHMENTS EMPLOYING OVER 1000 WORKERS 1

United States Industry in 1929 *

Groups of Industries	Number of giant establishments	Proportion of workers employed to total workers (%)
Transportation equipment	131	66.0
Rubber products	33	65.2
Iron and steel and their products	160	41.7
Products of petroleum and coal	26	37.3
Machinery, not incl. transportation equipment ...	144	34.8
Railroad repair shops	63	28.5
Non-ferrous metals and their products ...	40	23.0
Chemicals and allied products	31	22.5
Textiles and their products	192	18.5
Leather and its manufactures	23	12.5
Food and kindred products	48	11.2
Stone, clay and glass products	16	7.2
Forest products	34	6.1
Paper and allied products	9	5.9
Printing, publishing and allied industries ...	11	5.8

German Industry in 1925

Groups of Industries	Number of giant establishments	Proportion of workers employed to total workers (%)
Mining	210	69.8
Rubber & asbestos	10	51.8
Metallurgy	55	41.6
Electrical machinery	74	39.4
Chemical	35	34.4
Machinery (not incl. electrical) ...	176	32.6
Textile	99	13.4
Leather	6	8.2
Paper & printing	26	8.1
Metal-working	26	5.4
Stone, clay and glass products ...	20	3.9
Food and kindred products ...	30	3.4
Musical instruments & toys ...	3	3.2
Clothing	14	1 6
Forest products and woodworking	4	0 6

1 German statistics include wage earners and salaried employees.

* In speaking of 3,000 giant enterprises in the United States, Lenin had in mind establishments with an output of over 1 million dollars per annum. Of such establishments there were in United States manufacturing industry 3,060 in 1909 and 11,763 in 1929 (cf. table on p. 38). For our table, however, we have taken still larger establishments, i.e., those employing over 1000 workers. Of such establishments there were in United States manufacturing industry 540 in 1909 and 996 in 1929.

Sources- *Fifteenth Census of United States Manufactures*, 1930, Vol.I, p. 63; *Statistik des Deutschen Reichs* Bd. 413. I. Teil S. 278–79

steel, and 3.4 million tons of rolled metal. This plant has 12 blast furnaces, 49 open hearth furnaces, 18 rolling mills (including the largest rail-rolling mill in the world, with an output capacity of about 1 million tons), about one thousand coke ovens with apparatus for obtaining by-products, a cement factory with an output capacity of 900,000 tons and a briquette factory. It also has its own electric power plant with a capacity of 160,000 kilowatts, etc.

In Germany.—The Steel Trust (Vereinigte Stahlwerke), which was organised in 1926, is a huge combine, incomparably more powerful than the largest combines in the German pre-war iron and steel industry. Besides the Steel Trust, post-war Germany has the following gigantic metallurgical combines: Krupp, Hosch, Klockner, Gutehoffnungshutte, Mitteldeutsche Stahlwerke and Lincke-Hoffmann-Basch. The Krupp combine alone, whose principal enterprises are situated in Essen and Rheinhausen, by 1929 had an output capacity of 2 million tons of pig iron and 2.3 million tons of steel. In 1929 it employed a total of 89,800 workers. The combine embraces: 35 coal mines with numerous coking plants, 9 open-hearth furnaces, Thomas, crucible and electric smelting departments, 7 rolling departments in Essen, 12 rolling mills in Rheinhausen, a forge and press department, foundry and machine shops, general engineering shops and departments for the manufacture of railway equipment, an iron construction shop and a wheel shop, a cement and brick factory, and numerous armament factories.

2. *The expansion of the sphere of combined production, particularly owing to the intense development of the chemical industry during the war and post-war period.* This is expressed in the following:

a) *New industrial branches* joining already existing combines of the old type. Thus, the majority of metallurgical works have now developed the coke by-products industry (Gary, most of the works of the Bethlehem Steel Corp., Krupp in Rheinhausen, etc.), while nitrogen plants are as a rule located in the vicinity. The new Bronn-Linde method of obtaining synthetic nitrogen direct from coke gas has greatly extended the possibilities of combining the chemical industry with the iron and steel industry. Germany now has several such plants with an aggregate capacity of several hundred

[1]Metric tons, when not otherwise specified (1m. ton—2,204.62 lbs.)

thousand tons; all of these are under the control of the monopolist coal companies. Besides this we more and more frequently find the combination of iron and steel works with engineering enterprises (Krupp in Essen and Rheinhausen, most of the plants of the Bethlehem Steel Corp., etc.)

b) The creation of special *combined chemical plants* of enormous dimensions, unknown in pre-war times. Such, for instance, is the Leunawerke (I. G. Farbenindustrie), which combines: plants producing synthetic ammonia through the conversion of water gas (capacity: about 800,000 tons of pure nitrogen per annum); a plant for the conversion of ammonia into ammonia-sulphate; a plant for the manufacture of Norwegian nitrates; a plant for the manufacture of mixed fertilisers and a liquefaction of coal plant with an output capacity of 350,000 tons.

In addition, the *complex utilisation of raw materials* is assuming increasing importance: the utilisation of waste gases from copper smelting plants in the sulphuric acid industry (Tennessee plant, U.S.A.), the combining of the caustic soda industry with chloride products (Montecatini, Italy), the combining of the manufacture of plastic materials with coke by-products, the complex utilisation of carnallite for the production of potassium, magnesium chloride, bromide, hydrochloric acid, etc.

c) The creation of combined *power and metallurgical* and *power and chemical* plants. An example of the combination of power and metallurgy is the utilisation of coke gas which is obtained as a by-product in the iron and steel plants in the Ruhr. This gas is transmitted over the long distance pipe lines of the Ruhr Gas Company to a number of towns and works in the Ruhr; and the share of this gas taken by industrial enterprises for power purposes is steadily increasing. From 1928 to 1936 the Ruhr Gas Company increased its sales of gas from 122,000,000 cubic metres to 2,027,000,000 cubic metres. An example of the combination of power, metallurgy and chemicals is the Inn Works in Bavaria, where the hydroelectric power station supplies power to the aluminium works as well as to the nitrogen works.

d) The creation of powerful combined plants in certain branches of *light industry*. Here are some examples:

1. The meat packing trust of Swift and Co. (U.S.A.), which combines the manufacture of meat products with the diverse utilisation of waste (bones, bristle, hides, blood, etc.)

and its conversion into flour, glue, soap, washing powder, albumen, etc.

2. The Bata Shoe Combine in Zlyn (Czechoslovakia). The output capacity of this factory is from 26 to 30 million pairs of boots and shoes per annum. The combine owns a tannery, an electric power station, a last factory, engineering works with its own foundry, a printing plant, a factory for rubber footwear, a paper and cardboard factory, forests, oil refineries, etc.

3. The Unilever Margarine Trust of Great Britain combines in one gigantic trust palm and other plantations for oil seed, dairy farms, whale-hunting companies, a great number of margarine, soap and glycerine factories, as well as a number of factories for the conversion of by-products. This trust owns its own enterprises for the transportation of raw materials and finished products as well as commercial companies.

In noting the tremendous successes of combines, however, it must be emphasised that under capitalism combined production is handicapped by private ownership, by the narrowness and restriction of markets, by fierce competition, etc.

SOURCES: Marquand, *The Dynamics of Industrial Combinations*, London, 1931, pp. 52-53; Marcus, *Die grossen Chemiekonzerne*, Leipzig, 1929; Marcus, *Die grossen Eisen-und Metallkonzerne*, Leipzig, 1929, S. 46, 91-92, 165; *Iron Age*, 1929-1934; *Berliner Borsenzeitung*, 3, II, 1936; *Steel*, 13, IV, 1936, p. 15.

MONOPOLIES IN GREAT BRITAIN

To illustrate the thesis that "in free-trade England, concentration *also* leads to monopoly," we cite a few outstanding examples showing the rapid growth of monopolies in Great Britain during the last two decades, and particularly in the years of the world economic crisis.

IRON AND STEEL

a) Vickers Limited. This armament firm expanded considerably as a result of the war, and in 1928 it amalgamated its war materials and shipbuilding works with the corresponding plants of the Armstrong concern. In 1929 Vickers-Armstrongs together with Cammel Laird formed the English Steel Corporation, which is now the largest iron and steel concern in the country. Vickers embraces in England and abroad a large number of enterprises producing armaments and war materials, metals, ships, aeroplanes, machines, electrical equip-

ment, etc., It is known to have close connections with Barclays Bank, the Midland Bank and with Glynn, Mills & Co. It owns shares in 12 other big companies (1933). It has enterprises in Canada, Australia, Spain, Rumania, Jugoslavia, Japan, etc. It owns steel mills in 11 districts in the United Kingdom. The total capital (shares and debentures) of the leading companies of this concern, *i.e.*, Vickers-Limited, Vickers-Armstrongs, English Steel Corporation, Cammel Laird and Metro-Vickers (Associated Electrical Industries), amounts to £46,500,000 (1933).

b) United Steel Companies was founded in 1930 through the merger of two companies. It produces 16 per cent of the entire steel output in the United Kingdom, more than 2 million tons of coal, a large quantity of coke and pig iron. In 1932 this concern concluded an agreement with the big firm of Stewarts and Lloyds for the purpose of maintaining a uniform policy in regard to production and sales.

c) In 1929 Dorman, Long & Co. after merging with Bolckow, Vaughan & Co. increased its output capacity to 1.7 million tons of steel, 1.5 million tons of pig iron, 3.5 million tons of coal, 2.5 million tons of iron ore. It owns 7 companies abroad. Total capital £11,000,000 (1933).

d) British (Guest, Keen & Baldwins) Iron and Steel Company was founded in 1930 by the amalgamation of the interests of Guest, Keen & Nettlefolds with the firm of Baldwin. They employ a total of 60,000 workers. Total capital, £24,700,000 (1933).

e) The Lancashire Steel Corporation was formed in 1930 through the merger of three iron and steel manufacturing firms with the aid of the Bank of England, which obtained the right to appoint a director of the company. This corporation has 4 blast furnaces, 9 open-hearth furnaces, coke ovens, engineering works in Warrington, works in Kirkless, a dock on the Manchester Ship Canal and 13 coal mines which are managed through a special subsidiary company. The capital of the corporation (including the capital of the subsidiary coal company) is £6,000,000 (1933).

The Coal Industry

a) The Amalgamated Anthracite Collieries, formed in 1923. In 1931 its coal output amounted to 4 million tons. It now controls 80 per cent of the Welsh and 71 per cent of the entire British output of anthracite. Capital £8,600,000.

b) The Yorkshire Amalgamated Collieries, formed in 1927. Its output is 3.5 million tons of coal per annum. Capital £3,700,000.

c) Manchester Collieries Limited, formed in 1929 through the merger of 10 coal firms in Lancashire. This company has 20 mines with docks and warehouses, with coke ovens and plants for different by-products. It employs 19,000 workers. Capital, £5,500,000.

d) Welsh Associated Collieries, formed in 1930. Annual output capacity, 9 million tons of coal. Capital, £8,200,000.

In accordance with the Coal Mines Acts passed in 1930 and 1932 a number of regional combines have been organised in the United Kingdom for the control of production and prices as well as for the rationalisation of the industry. In the beginning of 1934 there were 17 such regional combines.

The Chemical Industry

Imperial Chemical Industries, formed in 1926. Capital, £77,000,000 (1934).

The Textile Industry

a) The Lancashire Cotton Corporation formed in 1929 with the assistance of the Bank of England. It amalgamated 139 mills working on American cotton. Fifty-three of these mills of an aggregate value of £3,000,000 were totally scrapped. The company now owns 6.25 million spindles comprising 13 per cent of all the spindles in the United Kingdom. Capital, £11,035,000.

b) Fine Cotton Spinners' and Doublers' Association Ltd.; owns over 5,000,000 spindles, i.e., about 28 per cent of all spindles of the Egyptian section (1927); capital, £8,350,000.

c) Combined Egyptian Mills formed in 1929 by the amalgamation of mills working on Egyptian cotton; owns a total of 3.2 million spindles, *i.e.* 19.6 per cent of all the spindles in the Egyptian section. Capital, £2,882,000.

d) Courtaulds, Ltd., artificial silk manufacturers, controls 80 per cent of the entire output of artificial silk in Great Britain. It is closely connected with artificial silk trusts in other countries. Capital £32,000,000.

The Food Industry

Unilever, Ltd., was organised in 1927-30 by the amalgamation of three margarine concerns, Jurgens (Great Britain),

Van den Berghs (Holland), and the British margarine concern, Lever Brothers. During the crisis this combine acquired control of a number of other companies. It now controls the greater part of the margarine industry in Europe. It also has interests in oil presses, oil refineries and allied enterprises. It represents a combine of 400 companies; it owns and controls plants and distributing organisations in 51 countries. The aggregate capital of only 38 of the largest companies of this trust amounts to £204,000,000.

The Automobile Industry

Morris Motors Limited, formed in 1919. In 1926 it merged with Hollick & Pratt, Morris Engines and Osberton Radiators. It owns automobile plants in Cowley, Oxford and Coventry. It turns out about one half of the automobiles manufactured in Great Britain and employs 10,000 workers. Capital, £5,000,000.

Transportation

By the Railway Act of 1921, 121 railroad companies were compelled to merge into 4 monopolist companies, which in 1935 had £1,103,000,000. These operate 19,266 miles of railways, steamships (77,417 net register tons), docks, ports, wharves and hotels. In 1933 three of these companies entered into a financial and operating agreement.

In 1933 all the city and suburban passenger transportation systems of London combined under the London Passenger Transport Board.

In addition to the above, a number of the old monopolies have greatly expanded during the post-war period, *e.g.*, the Royal-Dutch Shell in the oil industry, the White Star Line and Cunard Line in the shipping trade and the Coates sewing-cotton trust.

Sources: *The Stock Exchange Official Yearbook*, 1934; Fox, *The Food Combines*, 1931, p. 5; *Der Deutsche Volkswirt*, Nos. 16, 36, 39, 41, 1934; *Automotive Industry and Trade of Great Britain and Ireland*, 1928, pp. 9-10; Neumann, *Economic Organisation of the British Coal Industry*, 1934, pp. 92, 151, 153 154; P. Fitzgerald, *Industrial Combinations in England*, 1927, p. 12; Ministry of Transport, Returns of the Railway Companies of Great Britain for the year 1935.

NUMBER OF CARTELS IN GERMANY[1]

1865	1887	1896	1905	1911	1922	1925	1930
4	70	250	385	550—600	1,000	1,500	2,100

The statistics on cartels also take into account various kinds of trade agreements, conventions and price agreements. These agreements are frequently of a temporary and unstable nature. It is quite evident that the leading role in monopolist capital is enjoyed by a score or more of the largest national cartels of the type of the Rhine-Westphalian Coal Syndicate, the German Steel Cartel, cement combines, etc.

For a number of other countries the following estimates are available concerning the number of cartels for the year 1931: Great Britain 170; France 80; Austria 100; Czechoslovakia 120; Hungary 70; Switzerland 85. According to the figures published by the German Institute for Business Research, cartels control about 50 per cent of industrial production in Germany, 50 per cent in Austria, 37 per cent in Poland.

SOURCES: *Allgemeines Statistisches Archiv*, 1932, B. 22, H. 2, S. 243, 249.

GROWTH OF CORPORATIONS IN THE U.S.A.[2]

	1904	1909	1919	1929
Gross value of products of establishments belonging to corporations (in billion dollars)	10.9	16.3	54.7	64.9
Share of corporations in entire industry (%)				
According to number of establishments	23.6	25.9	31.5	48.3
According to number of workers employed	70.6	75.6	86.6	89.9
According to gross value of products	73.7	79.0	87.7	92.2

[1] Figures for 1865 estimated by Sombart; 1887, Phillipovich; 1896 and 1905, quoted from Lenin; 1911, Tschierschky; 1922, Liefmann; 1925. Metzner; 1930, Wagenfuhr.

[2] Post-war censuses do not include establishments with products valued at from $500 to $5000 per annum.

SOURCES: The figures for 1904 and 1909 are quoted from Lenin. The figures for 1919 and 1929 are taken from the *Fifteenth Census of United States Manufactures*, 1929, Vol. I, p. 95.

THE RHINE-WESTPHALIAN COAL SYNDICATE

	1893	1910	1913	1920	1925	1930
Changes in the syndicate's share:						
In production of the Rhine-Westphalian district ..	86.7	95.4	—	98.2	99.0	99.6
In the total production of Germany	45.4	55.4	—	66.7	77.9	74.5
In the production of coke ..	—	—	61.3	—	—	90.0
In Germany's coal exports ..	—	—	—	—	—	82.0

SOURCES: The figures for 1893 and 1910 are quoted from Lenin. The figures for other years are taken from the *Bericht des Rheinisch-Westfalischen Kohlen-syndikats*, 1931-32.

THE STANDARD OIL COMPANY GROUP

Owing to the so-called Anti-Trust Act, the Standard Oil Company was split up in 1911 and formed 34 subsidiary companies. Officially these are "independent" companies but it is known that they are unified under single control. The largest of them and the one that plays the leading role is the Standard Oil Company (New Jersey).

The changes in capital and dividends of the Standard Oil Companies are as follows:

CAPITAL (million dollars)

1900	1913	1920	1925	1931
Entire Standard Oil Group	*Standard Oil Co. (New Jersey)*			
150	100	310	825	750

CASH DIVIDENDS (*million dollars*)

Entire Standard Oil Group		*All companies of Standard Oil Co. Standard Oil Group*	*(New Jersey)*
1882-1907	1900-07	1912-30	1913-34
606	367	2,684	735

In addition to this, from 1911 to the middle of 1928, all the companies in the Standard Oil group paid dividends in the form of new stock amounting to $1,450,000,000.

The stock dividends paid in addition to cash dividends were so great that the rate, compared with the original share capital, amounted during the period of 1912-22 to the following: Standard Oil (N. J.) 400%; Standard Oil of N. Y. 600%; Atlantic Refining Co. 900%; Continental Oil Co. 1,100%; Standard Oil of Indiana 3,150%.

CASH DIVIDENDS (%)

Entire Standard Oil Group

1900-01	1902	1903	1904	1905-07
48	45	44	36	40

Standard Oil Company (N. J.) only

1913	1914-22	1923-25	1929	1930-32
60	20	4	7.5	8

It must be borne in mind that the rate of dividends had been artificially reduced during the post-war years, especially during 1923-25, owing to the watering of the total share capital and, in particular, owing to the payment of dividends in the form of stock and to the placing of large sums to reserve, as can be seen from the following table:

RESERVE CAPITAL (*million dollars*)

Entire Standard Oil group	*Standard Oil Co. (N. J.) only*		
1882-1907	1913	1929	1931
283	151.7	628.0	688.9

Concerning the power of the entire Standard Oil group, *Die Wirtschaftskurve* for 1926 says the following: "The mar-

ket value of the shares of the companies which became 'independent' in 1912 and which, therefore, belong to the Standard Oil group in the narrow sense of the word, reached approximately 20 billion marks in 1925. This does not include the value of the shares of the subsidiaries of these companies."

SOURCES: *Annuaire du Petrole*, 1929, pp. 592-3; *Moody's Industrials*, 1930, p. 3021, 1932, p. 3873, 1935, p. 3042-46; *Handbuch der Internationalen Petroleumindustrie*, 1931-32, S. 847; *Wirtschaftskurve*, 1926, H. II, S. 195; Laidler, *Concentration in American Industry*, 1931, p. 25.

THE GERMAN STEEL TRUST (VEREINIGTE STAHLWERKE)

The largest enterprise in the mining and metal industry in Germany today is the gigantic trust, Vereinigte Stahlwerke, which was formed in 1926 with a share capital of 800 million marks, and which absorbed the largest iron and steel trusts in Germany, including the Gelsenkirchen Mining Company (exclusive of its coal mines) referred to by Lenin.

In 1929 the trust employed 177,000 workers and salaried employees. In 1933 this trust's share of the country's production was as follows: coal 20%; pig iron 50%; steel 40%.

Vereinigte Stahlwerke constitutes at present the largest combined plant in the German iron and steel industry. It controls every link in the production process from the extraction of raw materials to the finished product.

THE TRUST'S ASSETS AT THE BEGINNING OF 1933

Coal fields	360	mill. m²
Iron ore fields	2,700	„ „
Railways	1,300	km.
Locomotives	421	
Cars	11,500	
Docks	14	
Electric power stations	481,000	kw.

OUTPUT CAPACITY OF THE TRUST'S ENTERPRISES (1931-32)

(million tons)

Coal mines	36.0	Blast furnaces	
Coking plants	10.0	Steel foundries	

In the autumn of 1933 the steel trust was reorganised and its share capital was reduced to 560 million marks. The effect of the reorganisation was to strengthen the trust's financial control over all its component enterprises, while technical and production concentration was relaxed. The trust is now split up into 13 formally "independent" companies; actually, however, they are the component parts of a single monopoly. Business connected with finance, investments and the purchase of raw materials continues to be transacted by the trust. It is noteworthy that the actual head of the trust, Thyssen, is on the directorates of all the companies.

SOURCES: *Die Bank*. 8, XI, 1933, S. 1611; *Deutsche Bergwerkszeitung*, 29, XI, 1933; *Grunbuch der Aktiengesellschaften*, 1933, Bd. II, S. 1781, 1783-85, 1797.

U. S. STEEL CORPORATION

Subsequent development led to an immense expansion of the output capacity of this trust: in 1929 its steel production amounted to 21.9 million long tons. It then employed 237,000 workers. From 1901 (the year of its foundation) to 1930 it produced 462 million long tons of steel and made 4,482 million dollars profit. Its fixed capital in 1932 was estimated at 1,651 million dollars. The drop in the corporation's share of the total steel output of the country, which Lenin notes, continued also in subsequent years; in 1931 its share of the total iron ore output was 43.3 per cent and steel—38.9 per cent. This drop is due to the rise in importance of a number of other iron and steel monopolies, such as the Bethlehem Steel Corporation, Republic Steel Corporation, etc.

The U.S. Steel Corporation is the most perfect type of "combined production," of a "technical productive unit of formidable magnitude" of which Lenin speaks. The trust owns 143 establishments embracing every link of the production process from the extraction of raw materials to the finished product. They include rail and water transportation for carrying raw materials and finished products, and establishments for the storage and sale of the products.

SOURCES: *Annual Report of the American Iron and Steel Institute*, 1931; *Metal Statistics*, 1931, pp. 177-78, and the annual reports of the Steel Corporation; *Tabulated History of U.S. Steel Corporation*. 1901-33; *The Wall Street Journal*, June 2, 1934.

MONOPOLISATION OF INVENTION

The degree to which inventions and technical progress are monopolised under post-war capitalism may be judged from the following facts concerning American trusts :

1. The American Telephone & Telegraph Co. (capital 2 billion dollars), which controls 99 per cent of the telephone stations in the U.S.A., maintains a staff of about 4,000 research workers and spends annually 15 million dollars on research work. The company owns or controls over 9,000 different patents.

2. The Westinghouse Electric & Mfg. Co. (capital 200 million dollars), in whose hands are concentrated over 25 per cent of the output of American electrical generators, transformers, etc., spends annually 2.3 million dollars on scientific research.

3. Du Pont de Nemours & Co. (total assets of all units 600 million dollars in 1933) has been spending in recent years an average of 3.5 million dollars annually for the same purpose ; and in 1933 the amount spent was almost 6 million dollars.

4. The General Electric Co. (capital 225 million dollars) employs in its scientific research laboratory in Schenectady approximately 3,000 engineers ; the annual expenditure for this purpose ranges from 10 to 15 million dollars. Men like Edison, Steinmetz and other scientists of world-wide reputation have been employed in its laboratories.

The famous Edison Institute in Menlo Park and, later, in Orange, N. J., while formally independent, actually serves only a few monopolist firms in the electrical industry.

Edison's patents, which in his early years he transferred to the Western Electric Co., subsequently fell into the hands of the American Telephone & Telegraph Co. In his later years Edison was closely connected with the General Electric Co., and partially also with Ford. In the Edison Institute specialisation has been carried to extreme limits : each member of the staff is given a small assignment in one special subject and the results of his work are summarised by the director. In this manner, Edison succeeded in amassing 1,200 patents during the 84 years of his life.

SOURCES : *Die Chemische Industrie*, 1932-34 ; *Chemical and Metallurgical Engineering*, 1932-34 ; *Stock Exchange Official Yearbook*, 1933, p. 1403 ; *Wirtschaftsdienst*, 1929, No. 19, S. 797.

THE GERMAN CHEMICAL TRUST (I. G. FARBENINDUSTRIE)

The concentration of the German chemical industry proceeded at a great rate during the imperialist war and after. This brought about the formation of the German chemical trust. In 1916 a pact was concluded on the "community of interests" (*Interessen-Gemeinschaft*) between the two "triple alliances" of which Lenin speaks. The pact dealt mainly with the regulation of prices, sales, etc. In this manner the foundation was laid for the "gigantic trust" which actually monopolised the chemical industry of Germany. The I. G. Farbenindustrie has been in existence in its present form since the autumn of 1925. It controls the whole of the basic chemical industry: over 80 per cent of synthetic nitrogen, nearly 100 per cent of synthetic gasoline and dyes, 40 per cent of pharmaceutical products, 25 per cent of artificial silk, etc. The productive capacity of the two biggest nitrogen plants of the I.G. (Merseburg and Oppau) in 1931 was estimated at from 900,000 to one million tons, while the productive capacity of the entire nitrogen industry in Germany is now more than 1.3 million tons in 1932-33.

The I. G. also owns the largest plant in the world producing synthetic gasoline, the Leunawerke (capacity 350,000 tons). The share capital of I. G. in 1933 amounted to one million marks; in 1935 its fixed assets amounted to 423 million marks. On January 1, 1936, the chemical plants of the trust employed 98,000 workers and office employees, and if the auxiliary enterprises (coal mines, etc.) are added the number employed will be 148,000. Notwithstanding the crisis, I. G. in 1932 and 1933 paid fairly high dividends—7 per cent (compared with 12 per cent in 1929.)

The comparatively favourable (financial position of the trust is to be explained, of course, by the large war orders it receives. Its power extends far beyond the borders of Germany. It is closely connected with the Kuhlmann Chemical Trust in France and with the Swiss, Austrian and Norwegian chemical industries. It owns subsidiaries in the U.S.A. In the United States I. G. is connected by agreements with the Standard Oil Co. (synthetic oil) and with Ford (synthetic rubber). It is also connected with the Imperial Chemical Industries in Great Britain (dyes), etc.

SOURCES: Dorothy Woodman, *Hitler Rearms*, London, 1934, pp. 223, 225; *Die Chemische Industrie*, 13, VI. 1936, S. 509, 511;

Moody's Industrials, 1932, pp. 1919-21 ; A. Marcus, *Die Grossen Chemiekonzerne*, Leipzig, 1929, S. 29, 58 ; *Berliner Borsenzeitung*, 8, VI, 1936 ; Chekin, *Present State of the World Nitrogen Industry*, Magazine of the Chemical Industry (in Russian), 1931, No. 21;22, pp. 38-39.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

The British chemical trust, the next largest trust in Europe after the German I. G. Farbenindustrie, was formed in 1926 as a result of the merger of a number of large companies. At the head of it up to 1931 stood Alfred Mond (Lord Melchett). After his death his position was taken by Harry McGowan. At present the trust is divided into the following 8 groups ; 1) basic chemicals, 2) mineral fertilisers, 3) alkalis, 4) explosives 5) metals, 6) lime, 7) dyes, 8) rexin (leather substitute). All these groups are under the control of one financial organisation. The Imperial Chemical Industries Ltd. controls 95% of the British output of basic chemicals, 95 to 100 per cent of nitrogen and 40 per cent of dyes. The nitrogen plant in Billingham—one of the largest in the world—has a productive capacity of 250,000 tons of pure nitrogen per annum. In addition a plant for the liquefaction of coal with an output capacity of 150,000 tons of synthetic gasoline per annum was started in 1935. On December 31, 1935, its paid-up share capital amounted to £77,000,000. In 1930 the trust employed approximately 50,000 workers. The following table shows the movement of I. C. I.'s profits :

	1928	1929	1930	1931	1932	1933	1934-36
Gross profit (£million)	5.99	6.50	5.13	4.67	6.42	7.66	—
Dividends (%) ..	8	8	6	4.5	6	7.5	8

In 1932 profits increased 37 per cent in comparison with the previous year, and in 1933 they increased an additional 20 per cent. This is to be accounted for primarily by increased war orders.

Imperial Chemical Industries is closely connected with the American Allied Chemical and Dye Corporation. In 1928 the Finance Company of Great Britain and America was organised with Alfred Mond at the head. In addition, the Nobel Dynamite Trust of Great Britain (now incorporated in I. C. I.) is closely connected with American and German explosives manufacturers.

In the beginning of 1932 this trust joined the European

aniline dyes cartel; in other words, it established contact with the German chemical trust. This contact, however, does not hinder these two chemical giants from waging a fierce competitive struggle for markets and spheres of influence, particularly in Czechoslovakia, Rumania, in the Eastern markets, etc.

SOURCES: A. Marcus, *Die Grossen Chemiekonzerne*, Leipzig, 1929, p. 7; *Die wirtschaftlichen Krafte der Welt* (Dresdner Bank), 1930, p. 40; Chekin, *op. cit.*, p. 41; *U.S. Department of Commerce Reports*: "British Chemical Development," 1932, p. 3; *Deutsche Bergwerkszeitung*, 17, X, 1935; *Manchester Guardian*, 15, IV, 1933; *Stock Exchange Official Yearbook*, 1934, p. 2003, 1936, p. 1346; *Moody's Industrials*, 1932, 1934; *Die Chemische Industrie*, 18, IV, 1936, S. 330; *The Economist*, 1, V, 1937, p. 302.

COMPULSORY CARTELISATION DURING THE YEARS OF THE WORLD ECONOMIC CRISIS

One of the most important features of the process of growth of monopolies during the world economic crisis is the widespread application by a number of governments of measures for compulsory cartelisation. Such direct state support of monopolies is most widely practised in fascist Germany. Preparations for war is one of the important motives for this.

Germany: On July 15, 1933, a law was promulgated providing for compulsory cartelisation. On the basis of this law the following measures were carried out in the industries enumerated:

Watchmaking:	
The erection of new factories prohibited	March 1934
Cigarettes and tobacco:	
All manufacturers compelled to form cartel. Erection of new factories and extension of old ones prohibited.	April and June 1934
Paper and cardboard:	
Temporary compulsory cartel formed. Regulation of sales introduced. Erection of new factories and extension of old ones prohibited.	August-October 1933, May 1934

Soap industry :	
Compulsory cartel formed.	Jan. and May 1934
Glass industry :	
Compulsory cartel formed. Sales and price regulations introduced. Acquisition and use of automatic machines prohibited. Control of investments introduced.	February 1934
Wire netting :	
Existing cartel reorganised ; all outsiders compelled to join.	January 1934
Drawn steel wire :	
All outsiders compelled to join one of the two existing cartels while negotiations proceeded to amalgamate the two. Erection of new factories and the opening of those that had been closed temporarily prohibited.	October 1933
River shipping :	
All companies operating on the Elbe and Oder compelled to form temporary cartel.	September 1933
Lime and solutions of lime :	
All outsiders compelled to join the Berlin cartel. Erection of new plants prohibited.	August 1933, July 1934
Jute fabrics :	
Erection of new mills and increase in number of looms prohibited.	November 1933
Salt industry :	
New cartel formed for whole industry. Quotas introduced. Formation of new enterprises, erection of new plants and extension of old prohibited.	March 1934
Automobile tires :	
Compulsory cartel formed for all enterprises of the industry. Erection of new plants prohibited.	July 1934
Dairy products :	
Compulsory cartel formed	October 1933
Fish canning :	
Government control established over erection of new plants and the opening of closed plants. The regulation of sales and prices introduced.	February 1934

Mention should be made of a number of other compulsory measures introduced in other branches of industry on the basis of the same law, such as the prohibition of new construction and extension of plants in the production of rolled zinc and lead, synthetic nitrogen, superphosphate, arsenic, various kinds of dyes, electric cables, electric bulbs, crockery, buttons, cigarette boxes, radios, horseshoes, stockings, gloves, building stone, fibre, cotton yarn, etc.

The process of compulsory cartelisation and the reinforcement of existing cartels continued during the period 1934-36. As a result, by the end of 1936 (according to the estimates of the Berlin Institute for Business Research) cartels embraced no less than two-thirds of the total German industry (the whole of the raw materials and semi-manufactures industries and 50 per cent of the finished goods industries) as against 40 per cent at the end of 1933.

Great Britain: By the Coal Mines Acts of 1930 and 1932 seventeen regional syndicates were formed for the purpose of controlling production and prices as well as for the rationalisation of the industry. In addition, the production of electric power is being strictly regulated by the Central Electricity Board, which was created in 1926.

U.S.A.: Although compulsory cartelisation was not the direct purpose of Roosevelt's "codes of fair competition" (on the basis of the National Industrial Recovery Act of June 13, 1933) nevertheless, as was admitted by a Senate Committee on Investigation of Codes, these codes undoubtedly strengthened monopolist tendencies and facilitated the subjugation of small and medium size enterprises to the monopolies.

Italy: Since the passing of the compulsory cartels act on June 16, 1932, such cartels have been formed in the cotton, hemp, silk and dyes industries.

Switzerland: New erection, expansion and reconstruction of watch factories have been prohibited.

Laws for compulsory cartelisation of certain branches of industry have been enacted in Poland.

SOURCES: *Kartellrundschau* for 1933-34, various issues; *Commercial and Financial Chronicle*, 24, III, 1934, p. 2016; *Weekly Report of the German Institute for Business Research*, 22, VIII, 1934, p. 1; *Wochenbericht des Instituts fur Konjunkturforschung*, 9, XII, 1936, S. 197-98.

CEMENT SYNDICATES IN GERMANY

The cement industry in Germany today is even more highly monopolised. In 1929, four syndicates, which are united by agreements, shared about 85 to 90 per cent of the country's cement output. During the years of crisis, as a result of the intense competition between the syndicates and outside concerns the share of outsiders, among which there are big establishments, increased to 20-25 per cent. In October 1933, members of the cartel were prohibited from withdrawing from it. In March 1934 new construction and extension of plants fell under the ban. Simultaneously, an attempt was made to compel outsiders to join the cartel by prohibiting sales at prices below those of the cartel. This attempt failed, however, and towards the end of 1934 the prohibition was withdrawn and the war between the cartel and the outsiders became more acute than ever.

DIVIDENDS OF FOUR LARGE ENTERPRISES OF THE NORTH GERMAN SYNDICATE IN 1929

Alsen	Hemmoor	Germania	Teutonia
14%	15%	14%	12%
Net Profits of These Enterprises in 1929 (thousand marks)			
780	1,194	923	408
Sums Transferred to Reserve (thousand marks)			
1,730	758	851	1,025

Syndicate price for cement in 1929—500 marks per carload (10 tons).

SOURCES: *Kartellrundschau*, No. 10, 1933; *Der Deutsche Volkswirt*, 10, XI, 1933; *Frankfurter Zeitung*, 28, IV, 1933.

MONOPOLIES IN JAPAN

The Japanese writer, Inomata Tsuneo, in his book *Japanese Monopolist Capitalism*, points out that in Japan all basic industries are controlled by cartels, in which the predominant role is played by companies owned by a few big

financial magnates (Mitsui, Mitsubishi, Sumitomo, Yasuda, Okura, Furukawa, Kuhara, etc.). He describes the position of some of the industries as follows:

Coal. Out of a total of 25.3 million tons of coal produced in Japan in 1930, 24.2 million tons were produced by the companies affiliated to the Sekitan Kogyo Rengokai coal cartel. The predominant role is played by Mitsui and Mitsubishi, whose share amounts to 50 per cent of the total coal output of Japan.

Iron and Steel. The predominant role in this industry is played by government owned enterprises (which produce approximately 50 per cent of the total output of the country). The other plants are in the hands of Mitsui, Mitsubishi and Okura. In July 1933 the Japanese Diet passed an act providing for the amalgamation of the state and principal private iron and steel enterprises of the country. As a result of this merger, which was consummated in February 1934, the new combine embraces 90 per cent of pig iron and 65 per cent of steel production in Japan.

Copper Smelting. Ninety-four per cent of the total copper output of the country is controlled by the copper cartel "Suiyokai," to which the Sumitomo, Kuhara, Mitsubishi, Furukawa and Fujita interests are affiliated.

Cement. Almost the entire output of the country is controlled by the cartel Nippon Cemento Rengokai. The leading role is played by Onoda Cemento, a Mitsui concern, which controls 20 per cent of the entire output, and Asano Cemento, controlled by Yasuda, which is responsible for 50 per cent of the entire output.

Shipbuilding. Here the dominant role is played by the Mitsubishi concern.

Electrical Engineering. The predominant role in this industry is played by four concerns: Mitsui, Mitsubishi, Furukawa and Kuhara.

Artificial Silk. Ninety per cent of the entire output capacity is in the hands of five companies headed by Mitsui and Mitsubishi.

Paper. Ninety-seven per cent of the total output is supplied by enterprises belonging to the cartel. This cartel is dominated by three companies controlled by Mitsui and Mitsubishi. In 1932 these merged into one company controlled by Mitsui.

Cotton Yarn. Of a total of 7,064,000 spindles in the coun-

try (1928), 6,902,000 belong to companies affiliated to the Dai Nippon Boseki Rengokai. This cotton cartel is dominated by nine companies belonging to Kikuto Abe, Mitsui and Mitsubishi, which control 70 per cent of the total spindles in Japan.

Sugar. The entire sugar industry of Japan is controlled by a sugar cartel in which the predominating role is played by three companies belonging to Mitsui and Mitsubishi, which produce 82 per cent of the total output.

PAID-UP CAPITAL OF COMPANIES CONTROLLED BY THE BIGGEST JAPANESE CONCERNS

Name of concern	Capital of controlled companies (million yen)	Percentage of total capital of all companies in Japan
Mitsui ..	.. 1,906	15
Mitsubishi ..	.. 2,045	16
Sumitomo ..	.. 1,207	9
Yasuda ..	.. 1,844	14

It must be borne in mind that several concerns are interested in a number of the same companies and the capital of these concerns is represented in the table two and three times. Hence, the total capital of the companies controlled by the four concerns is somewhat less than that given in the above table. The total capital of all Japanese companies in 1928 amounted to 12,634,000,000 yen.

SOURCES: Inomata Tsuneo, *Japanese Monopolist Capitalism*, 1931, and Takahashi Kamekiti, *Financial Description of Concerns*, a series of articles in the Japanese magazine *Chuokoron*, 1930; *Kaijo Nenkan*, 1935.

MONOPOLY PRICES

Below, we cite several examples of price raising in the post-war period under the influence of monopolies:

1. After the formation of two organisations in the copper industry in America, the Copper Institute and Copper Exporters, Inc., which began to function in 1927, the price of copper began to rise as follows: in 1927 the average price was 13.17 cents per pound; in January 1928 it was 14.09 cents; in October 1928—16 cents, and finally, in March 1929 the price of

copper rose to 24 cents per pound. Later on, the crisis brought about a sharp fall in price.

II. In 1925 and the beginning of 1926, the Polish iron syndicate encountered the competition of a powerful outsider, the Sosnowicer Rohren- und Eisengesellschaft. In May 1926 the latter joined the syndicate, after which prices were raised 22 to 25 per cent.

III. After the formation of a wire rope syndicate in Germany, the price was raised 20 to 40 per cent.

IV. As a result of the formation of the European Steel Cartel (E.R.G.) in 1926 the price of assorted iron was raised on the world market from 96 marks per ton in August 1926 to 118.5 marks towards the end of 1926.

V. In 1922 the so-called Stevenson scheme was introduced in the rubber market with the object of raising the price of rubber by restricting exports. As a result, the price of rubber in the New York market was practically doubled: it rose from 14 cents per pound in August 1922 to 27.4 cents per pound towards the end of that year. In the beginning of 1925 the price of rubber in New York reached the peak of 1.03 dollars per pound. Subsequently, the competition of outsiders drove the price down.

VI. The formation of the International Zinc Syndicate in December 1928 caused a rise in the price of zinc, and even in the United States, which did not join the syndicate, the price of zinc went up from 5.9 cents per pound in February 1928, to 7.15 cents in July and August 1929.

Monopolist organisations, while forcing up prices during periods of industrial boom, retard the dropping of prices in times of crisis. The following table gives a comparison between the movements of monopoly and competitive prices in the period 1928-36.

INDICES OF MONOPOLY AND FREE MARKET PRICES

(of raw materials and semi-manufactures)

Years	Germany: 1928=100		Poland: 1928=100		Austria 1923-31=100	
	Monopoly prices	Free market prices	Monopoly prices	Free market prices	Monopoly prices	Free market prices
1928	100.0	100.0	100.0	100.0	97	110
1929	103.6	91.2	107.5	93.6	98	100
1933	78.4	45.4	91.9	49.1	104	73
1934	78.3	54.3*	87.6	49.1	105	76
1935	78.3	—	81.7	47.3	105	76
1936	78 6	—	75.4	50.9	105	78

* November 1934

Years	Monopolised commodities			Non-monopolised commodities	
	Coal: Rhine Westphalian (marks per t.)	Pig iron: Pittsburgh ($ per long t.)	U.S.A. cement ($ per barrel)	Wheat: Manitoba No. 1 Canada ($ per 100 bushels)	Cotton: New Orleans ($ per 100 lbs.)
1929	16.87	19.99	1.60	134.30	18 60
1933	14.21	17.79	1.51	61.00	8.50
Percentage of drop	-15.4	-11.0	-5.6	-54.6	54.63

The above tables show: 1) that monopoly prices continued to rise even in 1929 when free market prices already began to drop; 2) that on the whole, the drop in monopoly prices was immeasurably slower and that their level remained higher than that of the free market prices. It must be borne in mind, however, that during the crisis the monopolists gave their customers large rebates, so that the actual drop in the monopoly prices is considerably greater than is shown in the tables.

The operation of the monopoly price policy during the "depression of a special kind" (Stalin) can be illustrated by

the following facts: the European Steel Cartel, which was re-established in the summer of 1933, managed to raise prices 30 to 50 per cent. As a result of the restriction of rubber production and the establishment of the International Rubber Committee, from the spring of 1934 to the autumn of the same year rubber prices rose 40 per cent. The restrictions on tea imposed in 1933 caused a rise in tea prices of 50 per cent.

SOURCES: U.S.A.—*The Masquerade of Monopoly*, by Frank A. Fetter, p. 197; *Record Book of Business Statistics*, Dept. of Commerce, Part III, p. 50; *Survey of Current Business, Annual Supplement*, 1936 pp. 116, 138; *The Iron Age*, 5, I, 1933, p. 92; Poland—Gustav Lucae, *Ausseinseiter von Kartellen*, 1929; *Konjunktura Gospodarcza*, 1937, No. 4, p. 2; Germany—W. Boje, *Der internationale Eisenpakt*, 1932, S. 93; *Vierteljahrshefte zur Konjunkturforschung*, 1936-37, Teil B; Austria—*Monatsberichte des Osterreichischen Instituts fur Konjunkturforschung*, 1935, No. 12, p. 278; 1937, No. 1, p. 15; *International Yearbook of Agricultural Statistics*, 1933-34, pp. 596, 639; *Jahresbericht des Reichskohlenverbandes*, 1934-35, S. 20.

CHAPTER II

THE BANKS AND THEIR NEW ROLE

THE fundamental and primary function of banks is to serve as an intermediary in the making of payments. In so doing the banks transform idle money capital into productive capital, that is, capital producing a profit; they collect all kinds of money incomes and place them at the disposal of the capitalist class.

In proportion as banking develops and becomes concentrated in a small number of institutions, the banks grow from modest intermediaries into all-powerful monopolists having at their command almost all the money capital of all the capitalists and small businessmen, as well as the greater part of the means of production and of the sources of raw materials of a given country or in a number of countries. This transformation of numerous small intermediaries into a handful of monopolists is one of the fundamental processes of the growing of capitalism into capitalist imperialism. For that reason we must first of all deal with concentration in banking.

The combined deposits of the German joint stock banks having a capital of more than a million marks, amounted to 7 billion marks in 1907-1908, while in 1912-1913 they amounted to 9.8 billion marks. Thus in five years there was an increase of 40 per cent. Of the 2.8 billion marks increase, 2.75 billion was divided among 57 banks having a capital of more than 10 million marks. The distribution of the deposits between big and small banks was as follows: *

Percentage of Total Deposits

	In the nine big Berlin banks	In the 48 other banks with a capital of more than 10 million marks	In 115 banks with a capital of from 1 to 10 millions	In the small banks (with a capital of less than 1 million)
1907–1908.	47	32.5	16.5	4
1912–1913.	49	36	12	3

* Alfred Lansburgh, "*Funf Jahre deutsches Bankwesen*" in *Die Bank*, 1913, II, pp. 726-728.

The small banks are being squeezed out by the big banks, nine of which concentrate in their own hands almost half the total deposits. But we have left out of account here many important details, for instance the transformation of numerous small banks into what are virtually branches of big banks, *etc.* Of this we shall speak later on.

At the end of 1913, Schulze-Gaevernitz estimated the deposits in the nine big Berlin banks at 5.1 billion marks, out of a total of about 10 billion. Taking into consideration not only the deposits, but also the capital of these banks, this author wrote:

> At the end of 1909, the nine big Berlin banks, *together with their affiliated institutions*, controlled 11.3 billion marks, that is, about 83 per cent of the total banking capital of Germany. The *Deutsche Bank*, which *together with its affiliated banks* controls about three billion marks, represents, next to the Prussian State Railways, the biggest and yet the most decentralised accumulation of capital in the Old World.*

We have emphasised the reference to the "affiliated" banks because it concerns one of the most important characteristic features of modern capitalist concentration. Large enterprises, especially banks, not only directly absorb small ones, but also "join" them to themselves, subordinate them, bring them into "their own" group or "concern" (to use the technical term) by "participating" in their capital, by purchasing or exchanging shares, by a system of credits, *etc., etc.* Professor Liefmann has devoted a whole large "work" of about 500 pages to a description of modern "participating and financing companies,'‡ unfortunately adding "theoretical" reflections of a very poor quality to ill-digested raw material. To what results this "participation" system leads in regard to concentration is best illustrated in the book written by the banker, Riesser, on the big German banks. But before examining his data, we will give one concrete example of the "participation" system.

The *Deutsche Bank* group is one of the largest, if not the largest, of all groups of big banks. In order to trace the main threads which connect all the banks in this group, it

*Schulze-Gaevernitz, "*Die deutsche Kreditbank*" in *Grundriss der Sozialokonomik*, V, Part 2, Tubingen, 1915, pp. 12, 137. (Lenin's italics.—*Ed.*)

†Liefmann, *Beteiligungsgesellschaften.*

is necessary to distinguish between participations of the first, second and third degree, or what amounts to the same thing, between dependence (of the smaller banks on the *Deutsche Bank*) in the first, second and third degree. We then obtain the following picture.‡

THE *Deutsche Bank* PARTICIPATES

	Permanently	For an indefinite period	Occasionally	Total
Dependence in the 1st degree ..	in 17 banks of which	in 5 banks	in 8 banks of which	in 30 banks of which
Dependence the 2nd degree ..	9 participate in 34 others of which		5 participate in 14 others of which	14 participate in 48 others of which
Dependence in the 3rd degree ..	4 participate in 7 others		2 participate in 2 others	6 participate in 9 others

Included in the eight banks dependent on the *Deutsche Bank* in the "first degree," "occasionally," there are three foreign banks: one Austrian, the Vienna "*Bankverein*"; and two Russian, the Siberian Commercial Bank and the Russian Bank for Foreign Trade. Altogether the *Deutsche Bank* group comprises, directly and indirectly, in whole or in part, 87 banks; and the total capital—its own and others'—controlled by the group is estimated at two to three billion marks.

It is obvious that a bank standing at the head of such a group, which enters into arrangements with a half-dozen other banks slightly smaller than itself for conducting especially big and profitable financial operations like state loans, has outgrown the role of "intermediary" and has become transformed into an association of a handful of monopolists.

The rapidity with which the concentration of banking proceeded in Germany just at the end of the nineteenth and the beginning of the twentieth centuries is shown by the following data, which we quote in an abridged form from Riesser.¶ Six big Berlin banks had:

‡Alfred Lansburgh, "*Das Beteiligungssystem in deutschen Bankwesen*" in *Die Bank*, 1910, I, pp. 500 ff.

¶Riesser, *op. cit.*, p. 745.—*Ed.*

Year	Establishments (Main and Branch Offices) in Germany	Deposit and Exchange Offices in Germany	Permanent Participations in German Joint-Stock Banks	Total No. of Offices and Banking Connections*
1895	.. 16	14	1	42
1900	.. 21	40	8	80
1911	.. 104	276	63	450

We see the rapid extension of the thick network of canals which cover the whole country, centralising all capital and all money incomes, transforming thousands upon thousands of scattered economic enterprises into a single national capitalist and then into a world-wide capitalist economic unit. The "decentralisation" that Schulze-Gaevernitz, as an exponent of modern bourgeois political economy, speaks of in the passage previously quoted, really means the subordination of an ever-increasing number of formerly comparatively "independent," or rather strictly local economic units, to a single centre. In reality it is *centralisation*, the enhancement of the role, the importance, and the power of monopolist giants.

In the older capitalist countries this "banking network" is still more close. In England (and Ireland), in 1910, the total number of branches of banks was 7,151. Four big banks had each more than 400 branches (from 447 to 689); four others had more than 200 each; and eleven others more than 100 each.

In France, the *three* biggest banks (the *Credit Lyonnais*, the *Comptoir National d'Escompte* and the *Societe Generale*), extended their operations and their network of branches in the following manner: †

Year	Branches and Offices in Paris and Suburbs	Branches in the Provinces	Total	Capital and Surplus (in millions	Deposits of francs)
1870	.. 17	47	64	200	427
1890	.. 66	192	258	265	1,245
1909	.. 196	1,033	1,229	887	4,363

*Total includes private banking firms in which great banks had silent partnerships.—*Ed.*

†Eugen Kaufmann, *Das franzosiche Bankwesen, mit besonderer Berucksichtigung der drei Depositen-Grossbanken*, Tubingen, 1911, pp. 356, 362.

To show the character of the "connections" of a big modern bank, Riesser gives the following figures on the number of letters sent and received by the *Disconto-Gesellschaft*, one of the biggest banks in Germany and in the whole world (the capital of which amounted to 300 million marks in 1914) :¶

Year	Letters Received	Letters Sent
1852	6,135	6,292
1870	35,800	87,513
1900	533,102	626,043

The number of accounts in the *Credit Lyonnais*, a big Paris bank, grew from 28,535 in 1875 to 633,539 in 1912.†

These simple figures show, perhaps better than long explanations, how the concentration of capital and the growth of their turnover is radically altering the significance of the banks. Scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, the bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, these operations grow to enormous dimensions we find that a handful of monopolists controls all the operations, both commercial and industrial, of capitalist society. They can, through their banking connections, through current accounts and other financial operations, first *exactly ascertain* the standing of the various capitalists, then *control* them, influence them by restricting or increasing, facilitating or hindering their credits, and finally they can *completely determine* their fate, determine their income, deprive them of capital, or enable them quickly to increase their capital rapidly and to enormous proportions, *etc.*

We have just mentioned the 300 million marks capital of the *Disconto-Gesellschaft*, of Berlin. This increase in the capital of the *Disconto-Gesellschaft* was one of the incidents in the struggle for hegemony between two of the biggest Berlin banks—the *Disconto-Gesellschaft* and the *Deutsche Bank*.

In 1870, the latter, still a novice, had a capital of only 15 million marks, while the former had 30 million. In 1908, the latter had a capital of 200 million marks, the former 170 million. In 1914, the latter increased its capital to 250 million

¶ Riesser *op. cit.*, p. 367.
† Jean Lescure, *L'epargne en France, Paris*, 1914, p. 52.

and the former by merging with another first-class big bank, the *Schaaffhausen Bankverein*, to 300 million. And, of course, while this struggle for hegemony goes on both banks more and more frequently conclude "agreements" with each other of an increasingly durable character. This development leads banking specialists, who regard economic questions from a standpoint which does not in the least exceed the bounds of most moderate and careful bourgeois reformism, to the following conclusions.

The German review, *Die Bank*, commenting on the increase in the capital of the *Disconto-Gesellschaft* to 300 million marks, wrote:

> Other banks will follow the same road.... and in time the three hundred men who today govern Germany economically, will be reduced to fifty, twenty-five, or even fewer. Nor can it be expected that the latest move towards concentration will be confined to banking. The closer relations between certain banks naturally also entail the bringing together of the manufacturing combines which they support.... One fine morning we shall wake up in surprise to see nothing but trusts before our eyes, and to find ourselves faced with the necessity of substituting state monopolies for private monopolies. However, we shall have nothing to reproach ourselves for, except for having allowed things to follow their own course, slightly accelerated by the use of shares of stocks.*

This is an example of the impotence of bourgeois journalism, which differs from bourgeois science only in that the latter is less sincere and strives to obscure essentials, to conceal the forest by trees. To be "amazed" at the consequences of concentration; to "reproach" the German capitalist government or capitalist "society" ("ourselves"); to fear that the introduction of stocks might "hasten" concentration, as a German "cartel" specialist, Tschierschky, fears the American trusts and "prefers" the German cartels on the grounds that they, unlike the trusts, "do not hasten technical and economic progress to such an excessive degree"—is not this impotence? †

But facts remain facts. There are no trusts in Germany; there are "only" cartels—but Germany is *governed* by no more than 300 magnates of capital, and their number is constantly diminishing. At all events, the banks in all capitalist

* A. Lansburgh, "*Die Bank mit den 300 Millionen*" in *Die Bank*, 1914, I, p. 426.

† Tschierschky, *op. cit.*, p. 128.

countries, under any kind of banking law, tremendously intensify and accelerate the process of concentration of capital and the formation of monopolies.

The banking system, Marx wrote half a century ago in *Capital*, "presents indeed the form of universal bookkeeping and of distribution of means of production on a social scale, but only the form."‡

The figures we have quoted on the growth of bank capital, on the increase in the number of offices and branches of the biggest banks, the increase in the number of their accounts, *etc.*, present to us concretely this "universal book-keeping" of the *whole* capitalist class—and indeed not only of the capitalists, for the banks collect, even though temporarily, all kinds of money incomes of small businessmen, employees, and of a tiny upper stratum of the workers. The "distribution of means of production on a social scale" is what *emerges*, from the formal point of view, from the modern banks, which to the number of from three to six of the biggest banks in France, and from six to eight in Germany, control billions and billions. In its *content*, however, this distribution of means of production is by no means "social" but private, i.e., it conforms to the interests of big capital and primarily of very big monopolist capital, which operates under conditions in which the masses of the population live on the verge of starvation, in which the growth of agriculture lags hopelessly behind the development of industry, and within industry, "heavy industry" exacts tribute from all other branches.

The savings banks and post offices are beginning to compete with the banks in the matter of socialising capitalist economy; they are more "decentralised," that is, their influence extends to a greater number of localities, to more remote places and to wider sections of the population. An American commission collected the following data on the comparative growth of deposits in banks and savings banks.*

‡ Karl Marx, *Capital*, Vol. III, p. 712, C. H. Kerr edition. In this edition the phrase *"Verteilung der Produktionsmittel"* is wrongly translated as "distribution of products." In the above passage, this has been corrected to read "distribution of means of production."—*Ed.*

*Based on data of National Monetary Comm., *Die Bank*, 1910, p. 1200.

DEPOSITS (IN BILLION OF MARKS)

Year	England		France		Germany			
	In Banks	In Savings Banks	In Banks	In Savings Banks	In Bank	In Savings Banks	In Credit Societies	
1880	8.5	1.6	—	1.0	0.5	2.6	0.4	
1888	12.5	2.1	1.5	2.2	1.1	4.5	0.4	
1908	23.2	4.2	3.7	4.2	7.1 (1907)	13.9 (1907)	2.2	(1906-07)

As they pay interest on deposits at the rate of 4 and 4¼ per cent, the savings banks must seek "profitable" investments for their capital, they must deal in bills, mortgages, *etc.* The boundaries between the banks and the savings banks "become more and more obliterated." The Chambers of Commerce at Bochum and Erfurt, for example, demand that savings banks be "prohibited" from engaging in "purely" banking activities, such as discounting bills of exchange. They also demand restrictions on the "banking" operations of the post office.* The bank magnates seem to be afraid lest state monopoly steal up on them from an unexpected quarter. It goes without saying, however, that this fear is no more than the expression of the rivalry between two department heads in the same office; for, on the one hand, the billions of capital in the savings banks are really controlled, in the last analysis, by *these very same* bank magnates, while, on the other hand, a state monopoly in capitalist society is nothing more than a means of increasing and guaranteeing the income of millionaires in one branch of industry or another who are on the verge of bankruptcy.

The change from the old type of capitalism, in which free competition predominated, to the new capitalism, in which monopoly predominates, is expressed, among other things, by a decrease in the importance of the stock exchange.

> For a long time now,—we read in the German review, *Die Bank*—the stock exchange has ceased to be the indispensable intermediary of exchange that it formerly was, when the banks were not yet able to place the greater part of the securities issued with their clients.†

* *Die Bank*, 1913, II, pp. 811, 1022.

† *Ibid.*, 1914, I, p. 316.

"Every bank is a stock exchange" is a proverb that becomes truer and truer the bigger the bank and the more advanced the concentration of banking.‡

If formerly, in the 'seventies, the stock exchange, flushed with the exuberance of youth [a "delicate" allusion to the crash of 1873, the bucket-shop scandals, *etc.*], introducing the industrialisation of Germany by taking advantage of the speculation in stocks, nowadays, the banks and industry are able to get on without its aid. The domination of our big banks over the stock exchange....is nothing else than an expression of the completeness of organisation of the German industrial state. If the domain of the automatically functioning economic laws is thereby restricted, and if the domain consciously regulated by the banks is considerably enlarged, the national economic responsibility of a very small number of leading individuals is increased to a formidable extent.¶

Thus wrote the German Professor Schulze-Gaevernitz, an apologist for German imperialism, an authority for imperialists of all countries. He tries to gloss over a "detail": that this "conscious regulation" by the banks is robbery of the public by a handful of "completely organised" monopolists. It is not the task of a bourgeois professor to lay bare the whole mechanism, nor to divulge all the machinations of the banking monopolists, but rather to put them in a favourable light.

In the same way, Riesser, a still more authoritative economist and a bank "leader," tries to explain away with meaningless phrases facts that cannot be denied:

> The stock exchange is steadily losing the ability—which is absolutely indispensable for economy as a whole and for the circulation of securities—of acting not only as a most exact instrument for measuring, but also as an almost automatic regulator of the economic movements which converge on it.*

In other words, the old capitalism, the capitalism of free competition with its absolutely indispensable regulator the stock exchange, is passing away. A new capitalism is succeeding it, which bears obvious features of something transitory, some kind of mixture of free competition and monopoly. The question naturally arises: *into* what is this latest capi-

‡ Dr. Oscar Stillich, *Geld-und Bankwesen*, Berlin, 1907, p. 169.

¶ Schulze-Gaevernitz, *op. cit.*, p. 101.

* Riesser, *op. cit.*, p. 582.

talism "changing"? But the bourgeois scholars are afraid to put this question.

> Thirty years ago, freely competing business performed nine-tenths of the economic work outside the sphere of "manual labour." At the present time, nine-tenths of this "brain work" is performed by *functionaries*. Banking is in the forefront of this evolution. †

This admission by Schulze-Gaevernitz once again revolves around the question: into what is this latest capitalism, capitalism in its imperialist stage, changing?

Among the few banks which, as a result of the process of concentration, remain at the head of all capitalist economy, an increasingly marked tendency towards monopolist agreements, towards a *bank trust* is, naturally, to be observed. In America, there are not nine but only *two* very big banks, those of the billionaires Rockefeller and Morgan, which control a capital of eleven billion marks.‡ In Germany, the absorption of the *Schaaffhausen Bankverein* by the *Disconto-Gesellschaft*, to which we referred above, was commented on in the following terms by the *Frankfurter Zeitung*, an organ of the stock exchange interests:

> The progressive movement towards concentration of the banks is steadily narrowing the circle of establishments from which it is possible to obtain large credits, and consequently increasing the dependence of large-scale industry upon a small number of banking groups. In view of the close relations between industry and finance the free movement of manufacturing companies which depend on bank capital is restricted. For this reason, large-scale industry is watching the growing trustification of the banks [their unification or conversion into trusts] with mixed feelings. Indeed, we have repeatedly seen the beginnings of agreements between individual big banking concerns, which are tantamount to limiting competition.*

Again and again, the last word in the development of banking is—monopoly.

The close ties that exist between the banks and industry are the very things that bring out most strikingly the new role of the banks. When a bank discounts a bill for a certain businessman, opens an account for him, *etc.*, these operations, taken

† Schulze-Gaevernitz, *op. cit.*, p. 151.
‡ "*Der 'Money-Trust'*" in *Die Bank*, 1912, I, p. 435.
* Schulze-Gaevernitz, *op. cit.*, p. 155.

separately, do not in the least diminish the independence of that businessman, and the bank plays no other part than that of a modest intermediary. But when such operations are multiplied and become consolidated, when the bank "accumulates" in its own hands enormous sums of capital, when the keeping of an account for the firm in question enables the bank—and this is what happens—to become increasingly well and fully informed of the economic position of its client, then the result is that the industrial capitalist becomes more and more fully dependent on the bank.

Parallel with this there is being developed a personal connection between the banks and the biggest industrial and commercial enterprises, a fusion of one with another through shareholding, through the appointment of bank directors to the boards of directors of industrial and commercial enterprises, and *vice versa*.

The German economist Jeidels has compiled very complete data on this form of concentration of capital and enterprises. Six of the biggest Berlin banks were represented by their directors in 344 industrial companies; and by their board members in 407 other companies, a total of 751 companies. In 289 companies they had either two representatives on the board of directors, or the chairmanship.† These industrial and commercial companies are engaged in the most varied branches of industry: insurance, transport, restaurants, theatres, art works, *etc.* On the other hand, there were on the boards of directors of the same six banks (in 1910), 51 of the biggest industrialists, including a director of Krupp's, another of the gigantic steamship company, the Hamburg-American Line, *etc.* From 1895 to 1910, each of these six banks participated in the issues of stocks and bonds of many hundreds of industrial companies (the number ranging from 281 to 419).*

The "personal connection" between the banks and industry is completed by the "personal connection" between both of them and the government.

> Seats on the boards of directors—wrote Jeidels—are freely granted to persons with high-sounding names, and also to ex-civil servants, who are able to do a great deal to

† Jeidels, *op. cit.*, pp. 161-2.—*Ed.*

* Jeidels, *op. cit.*, pp. 139, 172, 173; Riesser *op. cit.*, p. 307.

facilitate [!] relations with the authorities.....†

There is generally a member of parliament or a Berlin city councillor on the board of directors of a big bank. The building and development, so to speak, of the great capitalist monopolies is, therefore, going full steam ahead in every "natural" and "supernatural" way. A certain division of labour among some hundreds of kings of finance of modern capitalist society, is being systematically developed.

Accompanying this widening of the sphere of activity of individual big industrialists [sharing in the management of banks, *etc.*] and together with the restricting of provincial bank directors to definite industrial regions, there is a growth of specialisation in particular branches of business among the directors of the great financial institutions. This specialisation is only possible when banking is carried on on a large scale, and particularly when it has widespread connections with industry. This division of labour proceeds along two lines: on the one hand, the relations with industry as a whole are entrusted to one director as his special function; on the other, each director assumes the supervision of several isolated enterprises or groups of enterprises engaged in allied occupations or having common interests. [Capitalism has reached the stage of an organised *supervision* of individual firms!] One specialises in domestic industry—sometimes even in West German industry alone. [The West is the most industrialised part of Germany.] Others specialise in relations with foreign states and foreign industry; in information about individual industrialists; in stock exchange transactions. Besides, each bank director is often assigned a locality or a branch of industry; one works mainly on the boards of directors of electric companies, another in the chemical, brewing or sugar beet industry; a third in several isolated industrial undertakings, and at the same time in insurance companies There can be no doubt that, in proportion as the big banks develop and their operations become diversified, the division of labour among their directors increases with the object and with the result of raising them to some extent above purely banking affairs, and of enabling them to become more capable and competent in general industrial matters, and in special questions affecting certain industries; and of training them for work in the bank's industrial sphere of influence. This system is supplemented by the tendency of the banks to appoint to their board of directors....men who are experts in industrial matters, such as manufacturers and ex-civil servants, especially those for-

†Jeidels, *op. cit.*, p. 149.—*Ed.*

merly employed in the railway and mining departments..*

We find institutions of the same kind, only slightly different in form, in French banking. For instance, one of the three biggest French banks, the *Credit Lyonnais,* has organised a special financial information service (*service des etudes financieres*), which permanently employes more than 50 engineers, statisticians, economists, lawyers, *etc.,* at a cost of six or seven hundred thousand francs annually. The service is in turn divided into eight sections, of which one collects information especially on industrial establishments, another studies general statistics, a third railway and steamship companies, a fourth securities, a fifth financial reports, etc. †

The result is twofold: on the one hand an ever stronger fusion, or, as N. I. Bukharin aptly calls it, a concrescence of bank and industrial capital; and on the other hand, a transformation of the banks into institutions of a truly "universal character." On this question we think it necessary to quote the exact terms used by Jeidels, who has best studied the subject:

> An examination of the sum total of industrial relationships—he writes—reveals the *universal character* of the financial establishments working for industry. Unlike other forms of banks, and contrary to the demands at times made in text books—according to which banks ought to specialise in a certain field or industry in order to maintain a firm footing —the big banks are striving to make their connections with industrial enterprises as varied and far-reaching as possible, and to remedy more and more the unevenness in the distribution [of capital] among areas and branches of industry, which is revealed in the development of single institutions....One tendency is in the direction of making the ties with industry general; the other to make these ties lasting and intensive. In the six big banks both tendencies are already strongly developed, not completely, but to an essentially equal degree.‡

Quite often industrial and commercial circles complain of the "terrorism" of the banks. And it is not surprising that such complaints are voiced, for the big banks "command" in a way that will be seen from the following example. On November 19, 1901, one of the so-called Berlin "D" Banks (the

* *Ibid.*, pp. 156, 157.

† Eugen Kaufmann, article on the French banks in *Die Bank*, 1909, II, pp. 854-855.—*Ed.*

‡ Jeidels, *op. cit.*, p. 180. Lenin's italics.—*Ed.*

name given to the four biggest banks, whose names begin with the letter D),¶ wrote to the management of the German Central Northwest Cement Syndicate in the following terms:

> We learn from the notice appearing in the *Reichsanzeiger* on the 18th instant that the next general meeting of your company, fixed for the 30th of this month, may be called upon to take measures which are likely to effect alterations in your undertakings to which we cannot subscribe. We deeply regret that, for this reason, we are obliged to withdraw herewith the credit which has been allowed you....If the general meeting referred to does not decide upon anything inacceptable to us, and if we receive suitable guarantees on this matter for the future, we shall have no objection to negotiating with you on the opening of new credits.*

In substance this is the same old complaint about big capital oppressing small capital, but in this case it was a whole syndicate that fell into the category of "small" capital! The old struggle between big and small capital is being resumed on a new and infinitely higher plane. It stands to reason that the billion-mark enterprises of the big banks can set technical progress going in ways that cannot be compared with those of the past. The banks set up, for example, special technical research societies, and of course only "friendly" industrial enterprises benefit from their result. To this category belong the Electric Railway Research Association and the Central Bureau of Scientific and Technical Research, *etc.*, in Germany.

The directors of the big banks themselves cannot fail to see that in this way new conditions of national economy are being created, but they are powerless in the face of these.

> Any one—wrote Jeidels—who has watched, in recent years, the changes in the personnel of directors and managers of the big banks, cannot have failed to notice how power gradually passes into the hands of men who consider the active intervention of the big banks in the general development of industry to be indispensable and of increasing urgency. It often happens that, between these new men and the old bank directors, disagreements, and sometimes personal quarrels, develop. The question in dispute is whether or not the banks, as credit institutions, will suffer from this intervention in industry, whether they are not sacrificing tried principles and an assured

¶ *Deutsche Bank, Disconto-Gesellschaft, Dresdner Bank,* and *Darmstadter Bank.—Ed.*

* Stillich, *op. cit.*, p. 147.

profit in favour of a field of activity which has nothing in common with their role as intermediaries in providing credit and which is leading them into a field where they are more than ever before subject to the blind forces of trade fluctuations. This is the opinion of many of the older bank directors, while most of the younger men consider intervention in industry to be a necessity, equally as great as that which gave rise, simultaneously with large-scale modern industrial development, to the big banks and modern industrial finance. The two sides are agreed only on the point: that as yet there are neither firm principles nor a concrete aim in the new activities of the big banks.*

The old capitalism has had its day. The new represents a transition towards something. It is hopeless, of course, to seek for "firm principles and a concrete aim" for the purpose of "reconciling" monopoly with free competition. The admission of practical men has quite a different ring from the official praises of the charms of "organised" capitalism sung by its apologists such as Schulze-Gaevernitz, Liefmann and similar "theoreticians."

In just what period was the "new activity" of the big banks finally established? Jeidels gives us a fairly exact answer to this important question:

> The ties between industrial enterprises, with their new content, their new forms and their new organs, namely, the big banks organised on both a centralised and a decentralised basis, were hardly a characteristic economic phenomenon before the 'nineties; in one sense, indeed, this initial date may be advanced to the year 1897, when the great mergers took place by which, for the first time, the new form of decentralised organisation, corresponding to the industrial policy of the banks, was introduced. This starting point could, perhaps, be put even at a later date, for it was only the crisis [of 1900] which enormously accelerated the process of concentration in industry and banking, consolidated that process, and for the first time gave the big banks a monopoly over relations with industry and made these relations markedly closer and more active.†

Thus, the beginning of the twentieth century marks the turning point from the old capitalism to the new, from the domination of capital in general to the domination of finance capital.

* Jeidels, *op. cit.*, pp. 183, 184.

† *Ibid.*, p. 181.

NEW DATA FOR CHAPTER II

CONCENTRATION OF BANKS IN GERMANY

Deposits in German Joint Stock Banks Possessing Capital of Over One Million Marks Each[1]

(billion marks)

1907-08	1912-13	1924 [2]	1927	1929	1930 [3]	1934 [3]
7	9.8	1.9	13.5	16.9	16.0	9.1

The drop in deposits in 1924 as compared with 1912-13 is due to the consequences of the inflation period which brought about a tremendous devaluation of deposits expressed in terms of gold currency. The table shows an increase of deposits compared with the pre-war period, which indicates a considerable increase in the power of finance capital.

In computing the deposits for 1929-34, we have conditionally taken the proportion of the deposits of banks with a capital of less than one million marks to total bank deposits at three per cent. Any error that may have crept into this calculation will not exceed one per cent and, therefore, will not affect the result to any material degree.

Sources: Figures for the pre-war period are quoted from Lenin. For subsequent years the figures are taken from: *Die Deutsche Banken* 1924 *bis* 1926, and *Statistisches Jahrbuch fur das Deutsche Reich*, 1929, S. 318; 1931, S. 335; 1932, S. 331; 1936, S. 369; *Die Bank*, 12, IV, 1931; 6, II, 1935 and 24, II, 1937.

[1] Excluding the Reichskreditgesellschaft and other "public credit" institutions.

[2] As of January 1st.

[3] The diminution of deposits in the period 1930-34 is due to withdrawals during the crisis.

PERCENTAGE OF TOTAL DEPOSITS [1]

Year	In big Berlin banks	In the other 48 banks with a capital of more than 10 million marks	In 115 banks with a capital of 1 to 10 million marks	In the small banks with a capital of less than 1 million marks
1907-08 ..	47	32.5	16.5	4
1912-13 ..	49	36	12	3
1924 [2]	54.6	39.3		6.1
1927	59.6	37.0		3.4
1929	67.5	32.5		
1934 [3]	65.5	34.5		

[1] Excluding deposits of the Reichskreditgesellschaft, other "public credit" institutions and mortgage banks.

[2] As of January 1st.

[3] The diminution of the share of the big banks is due to the withdrawal of foreign deposits during the crisis.

SOURCES: Figures for the pre-war period quoted from Lenin. For subsequent years the figures are taken from: *Die Deutschen Banken im Jahre* 1924, S. 26; *Die Deutschen Banken* 1924 *bis* 1926 and *Statistisches Jahrbuch fur das Deutsche Reich*, 1929, S 318, 1931, S. 334-35, 1936, S. 368-69; *Die Bank*, 12, IV, 1930, S. 566, 6, II, 1935, S. 135.

DEPOSITS IN GERMAN BANKS [1]

(billion marks)

Year	Total deposits	In 9 big Berlin banks
1913	10	5.1
1927	14.0	8.0
1929	17.5	11.4
1934 [2]	9.4	5.8

Owing to the absorption of some banks by others, the number of big banks dropped from the 9 indicated by Lenin to 7 in 1924 and 1927, 5 in 1929 and 4 in 1934.

[1] *Cf.* footnote 1 on p. 86

[2] *Cf.* footnote 3 on p. 86.

SOURCES: *Statistisches Jahrbuch fur das Deutsche Reich*, and *Die Bank*, issues and pages as above.

CONCENTRATION OF BANKS IN UNITED KINGDOM [1]

The following may serve as an illustration to Lenin's thesis on the concentration of banks.

NUMBER OF ENGLISH JOINT STOCK BANKS

Year	With capital of £1,000,000 and over	With capital from £500,000 to £1,000,000	Small banks with capital up to £500,000	All banks
1900	24	17	57	98
1908	26	16	28	70
1913	27	14	20	61
1924	20	6	3	29
1929	20	5	2	27
1932	20	5	2	27
1936	20	4	2	26

PERCENTAGE OF DEPOSITS IN U. K. JOINT STOCK BANKS

Year	All banks	"Big Five" London banks	With capital of £500,000 to £1,000,000	Small banks with capital up to £500,000
	With capital of £1,000,000 and over			
1900	68.2	27.0	15.3	16.5
1908	79.3	32.4	13.9	6.8
1913	85.7	39.7	9.3	5.0
1924	95.7	72.4	4.2	0.1
1929	96.8	73.5	3.1	0.1
1932	96.8	74 1	3.1	0.1
1936	98 1	74.6	1.7	0.2

[1] Not including the Bank of England (nor the Irish Free State banks for post-war years).

SOURCES : This table is compiled from figures given in *The Economist*, Banking Supplement, May issue for 1901, 1909, 1914, 1925, 1930, 1933, 1937.

CONCENTRATION OF BANKS IN U.S.A.

Number of National Banks

Year	With capital over $5,000,000	With capital from $1,000,000 to $5,000,000	With capital less than $1,000,000
1923	21	100	8,063
1930	39	177	6,822
1934	40	182	5,245

Percentage of Deposits in National Banks

1923	22.1	20.1	57.8
1930	43.3	17.1	39.6
1934	47.8	20.6	31.6

Sources: This table is compiled from figures given in the *Report of the Comptroller of the Currency*: for 1924, p. 66, 1931, p. 80, 1935, p. 97.

Total Number of Banks in U.S.A.

Year[1]		Year [1]	
1914	26,274	1929	25,110
1921	30,560	1936	15,752

[1] As of June 30.

Sources: *Annual Report of the Federal Reserve Board*, 1933, p. 159; *Federal Reserve Bulletin*, February 1937, p. 129.

CONCENTRATION OF BANKS IN JAPAN

The Five Biggest Banks

Year	Total deposits in 5 banks (million yen)	Per cent of total deposits in all private commercial banks
1926	2,233	24.3
1929	3,210	34.6
1936[1]	4,585	41.9

TOTAL NUMBER OF BANKS IN JAPAN

Year		Year	
1914	2,155	1929	1,001
1921	2,009	1935	563

[1] If a new big bank, formed by a merger of 3 banks in December 1933, be included, the total deposits of the six big banks will rise to 5,783 million yen or 52.9% of deposits of all banks.

SOURCES: *Toyo Keizai Shimpo*, 17, IV,1937, p. 50; *Financial and Economic Annual of Japan*, 1916, p. 120, 1928, p. 154, 1936, p. 164; Inomata Tsuneo, *Nippon no dokusen shihon Shugi*, 1931, pp. 61, 342.

GROWTH IN NUMBER OF BRANCHES OF BERLIN BANKS

DATA FOR THE SIX BIG BERLIN BANKS WHICH IN 1933 COMBINED INTO THREE

Year	Branches in Germany	Deposit and exchange offices	Constant holdings in German joint stock banks	Total establishments
1895	16	14	1	42
1900	21	40	8	80
1911	104	276	63	450
1932	449	365	23	844[1]

The six big Berlin banks in Lenin's table (for 1911) are as follows: 1) Darmstadter Bank, 2) Berliner Handelsgesellschaft, 3) Deutsche Bank, 4) Disconto-Gesellschaft, 5) Dresdner Bank, 6) Schaffhausenscher Bankverein.

In the process of concentration the number of these banks by 1932 had been reduced to three. Mergers have taken place among the following banks:

a) In 1931, the Darmstadter Bank, which in 1922 had absorbed another big bank (Nationalbank), merged with the Dresdner Bank.

[1] This table does not include figures of the branches of the Berlin Commerz und Privatbank which in 1933 had 395 branches. In recent times there has been a reduction in the number of branches owing to bank mergers and rationalisation. From 1929 to the middle of 1933 the number of branches of the big Berlin banks was reduced from 792 to 687.

b) In 1929 the Deutsche Bank merged with the Disconto-Gesellschaft; the latter, as far back as 1914, had merged with Schaffhausenscher Bankverein.

The reduction in the number of holdings is explained by the fact that the giant banks have absorbed the weaker banks which formerly had been nominally independent.

SOURCES: The figures for 1895, 1900 and 1911 are quoted from Lenin. The figures for 1932 are taken from the reports of the banks and *Grunbuch der Aktiengesellschaften*, 1932; figures for 1933—from *Untersuchung des Bankwesens*, 1933, Teil I.

GROWTH IN NUMBER OF BRANCHES OF BRITISH BANKS

NUMBER OF BRANCHES OF ALL BANKS IN GREAT BRITAIN AND IRELAND[1]

1910	1913	1929	1936
7,151	7,730	11,730	12,182

NUMBER OF BANKS HAVING BRANCHES

Year	Over 400	Over 200	Over 100
1910	4 (from 447 to 689 branches)	4	11
1913	3 (from 570 to 867 branches)	8	18
1924	5 (from 704 to 1,778 branches)	4	11
1932	6 (from 553 to 2,103 branches)	7	6
1936	7 (from 555 to 2,136 branches)	6	5

[1] Not including the Bank of England (nor the Irish Free State banks for post-war years).

SOURCES: Figures for 1910 are quoted from Lenin. For subsequent years the figures are taken from *The Economist*, Banking Supplement, May issue for 1914, 1925, 1933, 1937.

GROWTH IN NUMBER OF BRANCHES OF FRENCH BANKS

Year	Number of branches and offices			Capital in million francs	
	In the provinces	In Paris	Total	Own capital	Borrowed capital
1870 ..	47	17	64	200	427
1890 ..	192	66	258	265	1,245
1909 ..	1,033	196	1,229	887	4,363
1930 ..	3,035	281	3,316	561[1]	7,215[2]
1935 ..	3,152	278	3,430	561[1]	5,349[2, 3]

[1]Reduced to francs of pre-war parity. According to balance sheet figures of 1930 and 1935 own capital remained at 2,760,000,000 francs (1928 parity).

[2]Reduced to francs of pre-war parity. According to balance sheet figures borrowed capital amounted in 1930 to 35,500,000,000 and in 1935 to 26,345,000,000 francs (1928 parity).

[3]The diminution of borrowed capital due to deposit withdrawals during the crisis.

SOURCES: Figures for pre-war years are quoted from Lenin. For 1930 and 1935 the figures are taken from *The Statist*, 1930, 1933, 1936, International Banking Section; *Bankers' Almanac and Yearbook*, 1930-31, 1935-36; Maurice Gougne, Tendances d'apres-guerre des Banques Francaises de Depot, Paris, 1934, pp. 235-36.

OUTCOME OF STRUGGLE BETWEEN DEUTSCHE BANK AND DISCONTO-GESELLSCHAFT

After the inflation in the beginning of 1924, preponderance was attained by the Deutsche Bank whose capital on January 1, 1924, amounted to 150 million marks, against that of 100 million marks of the Disconto-Gesellschaft. In 1926, however, the Disconto-Gesellschaft again increased its capital to 135 million marks, almost to the size of that of the Deutsche Bank. Finally, this protracted struggle for hegemony between these two biggest banks, which in the process became interlocked as a result of agreements of increasing frequency and durability concluded between them, was brought to an end by their amalgamation in 1929.

SOURCES: *Grunbuch der Aktiengesellschaften*, 1933; *Geschaftsbericht der Deutschen Bank und Disconto-Gesellschaft*, 1933.

CONCENTRATION OF BANKS AND COMPETITION AMONG BANKS

From the beginning of 1914 to the middle of 1933 six big German banks absorbed 191 banks having 1,699 main offices and branches (including agencies, deposit offices, etc.). Three of these six, the largest Berlin banks, absorbed 100 banks having 1,357 branches.[1] Of the total number of absorbed branches 1,303 remained as branches of the parent institutions, while 396 were closed in the process of rationalisation. This enormous growth of bank monopolies was accompanied by increased competition among the big banks. The following table illustrates the growing competition :

NUMBER OF CENTRES OF POPULATION WHERE THE BIG BANKS HAVE BRANCHES

Year	Total	Centres where the banks				
		do not compete	compete			
			Total number of centres where competition takes place	competition between		
				2 banks	3 banks	4–5 banks
1929 ..	521	324	197	114	39	44
1933 ..	482	268	214	139	69	6

[1] If the number of previous absorptions among the absorbed banks is taken into account, the total number of direct and indirect bank absorptions for the period under consideration will be far greater : 416, of which 285 banks were absorbed by the 3 big Berlin banks.

The table shows that as a result of the crisis the number of centres where the big banks have branches has been reduced by 39, whereas the number of centres where competition takes place has *increased* by 17.

SOURCES : *Untersuchung des Bankwesens*, 1933, I. Teil, S. 179 ; *Materialien zur Vorbereitung der Bankenenquete*, S. 104–06.

F. Fried, in his book, notes in reference to Germany that in the basic raw materials industries (coal, potassium, iron and steel) 19 persons, or families, own wealth to the amount of 810 million marks, in the manufacturing industries—11 persons, or families, own wealth to the amount of 230 million marks, and in the chemical industry—12 persons, or families, own wealth to the amount of 210 million marks. Altogether, 42 persons, or families, own wealth to the amount of 1.25 billion marks. The same author points out that in the sphere of finance capital in Germany, 110 persons, or families, own wealth to the amount of about 3.4 billion marks.

James W. Gerard, former U.S. Ambassador to Germany, has stated that 64 men control the national wealth of the U.S.A. Gerard said that these men are too busy to occupy political posts, but they decide who are to occupy these posts.

The following is a list of names of United States magnates classified according to the branches of economy they control:

Bankers

J. P. Morgan

George F. Baker, Chairman of Board of First National Bank of New York

William H. Crocker, Pres. and director of First National Bank of San Francisco, and officer and director of many large railroad, mining and lumber organisations in the West

Edward J. Berwind, financier and director of many large corporations

Thomas W. Lamont, member of J. P. Morgan and Co., director of Guaranty Trust Co.

Albert Chase Wiggin, Chairman of Board of Chase National Bank

Charles E. Mitchell, Chairman of Board of National City Bank

Daniel Guggenheim and William Loeb, financiers and directors of mining and utility companies

Charles Hayden (financier)

Oil

John D. Rockefeller, Jr.

Walter C. Teagle, Pres., Standard Oil Co. (N. J.)

R. C. Holmes, Pres., Texas Corp.

Iron and Steel

Myron C. Taylor, Chairman of the Finance Committee, U.S. Steel Corp.

James A. Farrell, Pres., U.S. Steel Corp.
Charles M. Schwab, Chairman, Bethlehem Steel Corp.
Eugene G. Grace, Pres., Bethlehem Steel Corp.

Copper

John D. Ryan, Pres., Anaconda Mining Co.
Daniel C. Jackling, Pres., Utah Copper Co.

Aluminum

Andrew W. Mellon, former Secretary of the Treasury, Aluminum Co. of America.
Arthur V. Davis, Pres., Aluminum Co. of America

Automobiles

Henry Ford
John J. Raskob, General Motors
Fisher Bros.

Chemicals

The Dupont Family, officers and directors of the E. I. duPont de Nemours & Co.

Electrical Supplies

Owen D. Young, Chairman, General Electric Co.
Gerard Swope, Pres., Gen. Elec. Co.
Walter G. Gifford, Chairman, American Tel. & Tel.
Sosthenes Behn, Chairman, International Tel. & Tel.
Samuel Insull.
P. G. Gossler, Pres., Columbia Gas & Electric Co.

Railways

Van Sweringen Bros.
W. W. Atterbury, Pres., Pennsylvania R.R.
Daniel Willard, Pres., Baltimore & Ohio R.R.
Arthur Curtiss James

Lumber Mills

Frederick Weyerhaeuser, millionaire lumber king, Tacoma, Wash.

Tobacco

G. W. Hill (President of American Tobacco Co.)

Commerce

Julius Rosenwald, Pres., Sears Roebuck & Co.

SOURCES: F. Fried, *Das Ende des Kapitalismus*. 1931, pp. 72, 80; *Commercial and Financial Chronicle*, 30, VIII, 1930, p. 1315.

MONOPOLIST EXPLOITATION OF BANK RESOURCES

Lenin's thesis that "in point of fact the distribution of means of production is by no means 'universal,' but private, *i.e.*, it conforms to the interests of big capital, and primarily,

of very big monopoly capital...." can be illustrated by the following figures showing the exploitation of funds which are concentrated in present-day banks.

DISTRIBUTION OF LOANS IN FOUR BIG BERLIN BANKS INCLUDING THEIR BRANCHES (OCTOBER 1931)

Dimension of loan (marks)	Number of loans	%	Total (mill. marks)	%	Average dimension of loan (marks)
Up to 20,000 ..	158,730	84.6	501.8	7.9	3,161
From 20,000 to 100,000 ..	20,568	10.9	908.0	14.2	44,145
Total of small and medium loans ..	179,298	95.5	1,409.8	22.1	7,863
From 100,000 to 500,000 ..	6,516	3.5	1,408.9	22.0	216,217
From 500,000 to 2 million ..	1,496	0.8	1,445.1	22.5	966,007
Over 2 million ..	390	0.2	2,137.0	33.4	5,479,341
Total ..	187,700	100.0	6,400.8	100.0	34,101

The table shows that the total sum of money advanced on 390 of the largest loans represents 2,137,000,000 marks, whereas 158,730 small loans amount to only 501,000,000 marks.

From the above figures it can be seen that the number of loans over 500,000 marks represents only one per cent of the total number of loans, although these loans absorbed 56 per cent of the total sum advanced by the banks. In this connection it must be borne in mind that a considerable portion of the smaller loans were also received by the biggest companies. It is highly significant, too, that the biggest monopolies have the biggest percentage of loan capital (including bond issues and long and short term loans). The following figures taken from a sample investigation prove this point very clearly.

OWN AND BORROWED CAPITAL OF JOINT STOCK COMPANIES IN GERMANY, 1933

Capital of each company (million marks)	Number of companies taken in each sample group	Own capital	Borrowed capital (million marks)	Per cent borrowed capital to own capital
Up to 10	.. 6	31.4	6.6	21.0
10 to 20	.. 6	93.7	27.6	29.5
20 to 30	.. 5	117.7	47.0	39.9
30 to 50	.. 9	342.5	173.0	50.5
50 to 100	.. 4	233.8	149.3	63.9
100 to 1000	.. 3	1,446.3	1,244.3	86.1

SOURCES: *Materialien zur Vorbereitung der Bankenenquete*, 1933, S. 139; *Wirtschaftsdienst*, 10, XI, 1933, S. 1547.

COMPARATIVE CHANGES IN DEPOSITS IN BANKS AND SAVINGS BANKS

DEPOSITS (in billions of marks)

Year	England		France		Germany			United States	
	Banks[1]	Savings Banks	Banks[2]	Savings Banks	Banks[10]	Credit Societies	Savings Banks	Banks	Savings Banks
1880	8.4	1.6	?	0.9	0.5	0.4	2.6	5.5	3.4
1888	12.4	2.0	1.5	2.1	1.1	0.4	4.5	8.6	5.7
1908	23.2	4.2	3.7	4.2	7.1	2.2	13.9	39.1	14.6
1913	30.9	5.2	5.5[2]	4.7	10.1	4.0	19.7	52.6	19.8
1928	72.0	8.4	7.8[2]	4.5	16.6	—	7.2[3]	180.6	43.0
1936[4]	78.9[6]	13.2	6.4[7,9]	9.7	9.4[7]	—	14.3[8]	124.0[7,9]	44.5[7]
1936[5]	47.2[6]	8.0	—	9.0	—	—	—	74.0[7]	26.6[7]

[1]Including (as in Lenin) the Bank of England, private banks and Dominion and colonial joint-stock banks with London offices.

[2]In six deposit and four investment banks (1913); the latter were subsequently reduced to 3 in 1928 and 2 in 1934. The data given by Lenin apply to a larger number of banks, but we have been unable to deal with these owing to lack of data.

[3]With the introduction of the gold mark in 1924, after inflation, the total savings deposits dropped to 595 million

marks. Subsequently a considerable increase in these deposits took place.

[4]Calculated in marks, no allowance being made for depreciation of respective currencies.

[5]Calculated in marks, allowance being made for depreciation of respective currencies.

[6]1935. [7]1934. [8]Including savings banks in the Saar.

[9]Withdrawal of deposits due to crisis.

[10]See footnote 1 on page 86.

SOURCES: Data on England, France and Germany for 1880, 1888 and 1908 are quoted from Lenin. For subsequent years the figures are taken as follows: for England, *The Economist*, Banking Supplement, May and October issues, 1913, 1914, 1929, 1936; for France, *Banques Commerciales*, 1913-29, pp. 144-45; *Annuaire Statistique* S.d. N. 1935-36, p. 271; for Germany from *Die Deutschen Banken* 1924 *bis* 1926 S. 36, 135 and *Statistisches Jahrbuch fur das Deutsche Reich*, 1930, S. 355. Figures on saving banks in the first three countries are taken from *Annuaire Statistique*, S.d.N. 1927 and 1933-34 and *Monthly Bulletin of Stat.* L. of N., 1937. Figures for the U.S.A. are taken from the *Statistical Abstract of the United States*, 1912-35.

PARTICIPATION OF BANKS ON SUPERVISORY BOARDS OF JOINT STOCK COMPANIES IN GERMANY

Data gleaned from an investigation of the German banks made in 1933 presents the following picture of the participation of representatives of banks on the supervisory boards of commercial and industrial joint stock companies.

Of a total of 9,634 joint stock companies in Germany (end of 1932) 2,656 companies, the total membership of whose boards was 18,171, gave information as to the composition of their supervisory boards. According to these incomplete figures joint stock and private banks were represented on the boards of 1,541 joint stock companies which had a total of 11,948 supervisory board members.

The following table shows the manner in which the bank representatives were distributed among the various groups of joint stock companies investigated.

Groups of joint stock companies according to percentage of bank representatives on their supervisory boards	Joint stock companies in each group		Number of members on supervisory board in each group	Number of bank representatives in these groups	Average per cent of bank representatives in each group
	Number	% of total			
Over 50% ..	159	10.3	1,138	773	68
25 to 50% ..	583	38.1	4,150	1,535	37
10 to 25% ..	700	45.7	5,293	985	19
Up to 10% ..	99	5.9	1,367	104	8
Total ..	1,541	100.0	11,948	3,397	28

SOURCE: *Untersuchung des Bankwesens*, 1933, II, Teil, "Statistiken," S. 167.

THE GROWTH OF "PERSONAL UNION" OR INTERLOCKING DIRECTORATES

The extent to which the "personal union" has advanced in modern capitalism is well brought out in the following examples:

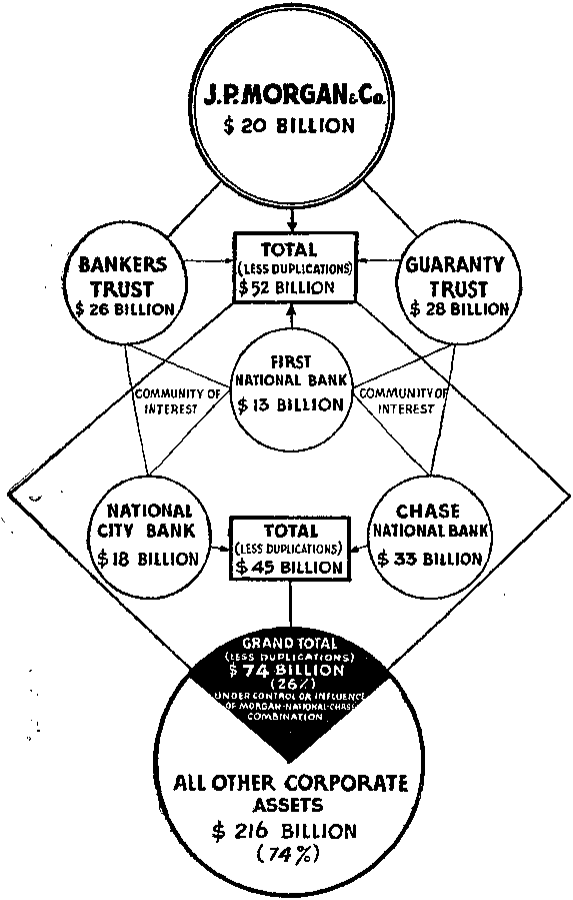
In 1934 a report was submitted to the United States Congress giving interesting data concerning the personal union existing between the public utilities and the finance companies which finance them.

At the head of the list of names occupying the largest number of seats on the boards and supervisory boards of the public utilities companies we find the following:

	Number of seats
E. P. Sommerson, Electric Bond & Share	240
A. I. Koch, American Utilities Co.	212
J. F. McKenna, American Utilities Co.	190
C. A. Dougherty, Associated Gas & Electric Co.	180
Arthur S. Ray, Electric Bond & Share	179
I. T. Edmonds, American Utilities Co.	155
W. W. Bell, Altoona and Logan Valley Electric Railway Co.	127
I. Weinberger, American Utilities Co. ..	114
I. W. Hill, Electric Bond & Share	112
Wm. H. Wilds, Alabama Utilities Service Co. ..	102
R. B. Small, Alabama Utilities Service Co. ..	102
W. M. MacFarland, Alabama Utilities Service Co.	102
Luke S. Bradley, Alabama Utilities Service Co. ..	101
L. L. Fenton, Alabama Utilities Service Co. ..	101
M. S. O'Keefe, American Utilities Co.	100

THE HOUSE OF MORGAN

SYSTEM OF FINANCIAL CONTROL (1929)



SOURCE: Lewis Corey, *The House of Morgan*.

Fourteen persons occupy leading positions in 75 to 100 companies each; while 61 persons are members of boards and supervisory boards of 50 to 75 companies each.

Albert Ayme-Martin, in his well-known book, *Nos grands financiers contre la nation*, cites a number of striking examples of personal union in French monopolist capital (1930):

Octave Homberg is a member of the board of 52 companies. Of fourteen of these companies he is either president or vice-president. The most important of these are Societe Financiere francaise et coloniale; Societe Franco-Belge de materiel de chemins de fer; Banque de l'Indochine; The Central Mining Co., and others.

Gabriel Cordier is president or member of the board of 23 companies. The most important of these are: Compagnie des chemins de fer Paris-Lyon-Mediterranee; Compagnie du Canal de Suez, and others.

Theodore Laurent is a member of the board of 21 companies, of seven of which he is president. The most important of these are: Societe Lorraine des Acieries de Rombas; Les Forges et Acieries de la Marne et d'Homecourt and Ateliers et Chantiers de France.

Andre Lebon is a member of the board of 15 companies, of four of which he is president. The most important of these are: Credit Foncier d'Algerie et de Tunisie; Messageries maritimes; Compagnie generale des Colonies, and others.

Edmond Philippar is president or vice-president of six companies and member of the board of 18 more. Marcel Trelat is on 11 companies. The three Mirabaud brothers (Albert, Eugene and Pierre) occupy leading posts in 21 companies, and their partner, Henri Puerari, is president or member of the board of nine other companies, etc.

SOURCES: *Neue Zuricher Zeitung*, 11, V, 1934 No. 838; Albert Ayme-Martin, *Nos grands financiers contre la nation*, Paris, 1931, pp. 113-42.

NUMBER OF PLACES OCCUPIED BY BANK REPRESENTATIVES IN INDUSTRIAL COMPANIES IN GERMANY

The big banks were represented on the supervisory boards of industrial companies as follows :

Represented by	Deutsche Bank and Disconto Gesellschaft [1]		Dresdner Bank [2]		Berliner Handels-gesellschaft		Total for big Banks	
	1903	1932	1903	1932	1903	1932	1903	1932
Directors[4]	200	—	104	—	40	—	344	—
Bank directors	—	73	—	—[3]	—	4	—	77
Director of bank branches	—	478	—	—[3]	—	—	—	478
Members of boards of directors of banks	—	141	—	86	—	85	—	312
Members of supervisory boards of banks (or administrative council)	243	204	130	195	34	218	407	617
Total	443	896	234	281	74	307	751	1484
By Chairman or by more than 2 persons	179	158	77	31	33	39	289	228
							1,040	1,712

[1] In 1929 the Deutsche Bank merged with the Disconto-Gesellschaft, while in 1914 the Disconto-Gesellschaft had merged with Schaffhausenscher Bankverein. In 1903 each of these banks carried on its operations independently.

[2] In 1931 the Dresdner Bank merged with the Darmstadter Bank. In 1903 each of them carried on operations independently.

[3] Data not available

[4] Lenin puts this item under the heading : " by directors " ; we have divided it under two headings : " by bank directors " and " by directors of bank branches."

SOURCES : The figures for 1903 are quoted from Lenin. The figures for 1932 are compiled from those in the *Handbuch der Deutschen Aktiengesellschaften, Die Berliner Borse, Adressbuch der Angestelltenrate.*

PARTICIPATION OF INDUSTRIAL MONOPOLIES IN THE MANAGEMENT OF BANKS

The following data illustrate how strongly in their turn the biggest industrial companies are represented on the boards of banks.

In 1932 seventy big industrialists were members of the supervisory boards of the three biggest Berlin banks, the Deutsche Bank and Disconto-Gesellschaft, the Dresdner Bank and the Berliner Handelsgesellschaft. Among these were directors of Krupp, the Hapag Steamship Company, the I. G. Farbenindustrie, the two electrical trusts, A.E.G. and Siemens, the German Steel Trust, representatives of all the biggest iron and steel enterprises, etc.

The big French concern, Schneider-Creusot, besides participating in the management of the Banque de l'Union parisienne—which had a capital of 300 million francs until May 1934—and partly controlling it,[1] also participated in the management of the following banks and finance companies : Banque des Pays du Nord, the Niederoesterreichische Escompte Bank,[2] Credit Anstalt, the Ungarische Allgemeine Credit-Bank, Framerican Industrial Development Co., etc., having a total capital of 1.4 billion francs.

The well-known Belgian Solvay chemical trust participates in the management of two of the biggest banks in Belgium which have a total capital of 1.6 billion francs. In addition, it owns three finance companies : one in Belgium, with a capital of 300 million francs, and two in the U.S.A., the largest of which has a capital of 74.5 million dollars.

SOURCES : Liefmann, *Bteiligungs-und Finanzierungsgesellschaften,* 1931, S. 386 ; *Berliner Borsenzeitung,* 3 and 11, XII, 1933 ; *Grunbuch der Aktiengesellschaften,* 1932, 1933 ; Augustin Hamon et X. Y. Z., *Les Maitres de la France,* Paris, 1936, pp. 107-08. Banker's Almanac, 1934-35, p. 1138.

[1] During the reorganisation of the bank in 1934, a new group, that of the banker G. de Lubersac, connected with British capital, acquired interests in it.

[2] In 1934 was absorbed by Credit Anstalt.

THE PERSONAL UNION BETWEEN MONOPOLIES AND GOVERNMENTS

The following are a few examples illustrating the personal union between monopolies and governments in recent years.

GERMANY

In 1932-33 the following were represented on the boards of directors and supervisory boards of the concerns indicated:

German Chemical Trust—1 Prussian Minister, 1 retired Provincial President, 1 Secretary of State (Vice Minister), 7 Privy Councillors, 1 ex-Police President, 1 Councillor of Ministry, etc.

Dresdner Bank—2 ex-Secretaries of State (of whom one was Chairman of the Board of Directors), 1 envoy, 1 private secretary of a Minister, etc.

Hapag-Lloyd—6 ex-Ministers, 1 ex-Secretary of State, 2 Councillors of State, etc.

GREAT BRITAIN (1933)

Reginald McKenna, Chairman of the Board of Directors of Midland Bank, ex-First Lord of the Admiralty and ex-Chancellor of the Exchequer.

Stanley Baldwin, leader of the Conservative Party, ex-Prime Minister, partner in Baldwins, Ltd., iron and steel manufacturers.

The late Viscount Grey of Fallodon, former Secretary of State for Foreign Affairs, Director of London and North Eastern Railway Co. (died in 1933).

Sir J. Stamp, Chairman of the Board and Director of the London Midland and Scottish Railway, Director of the Bank of England, member of the Economic Advisory Council, former British representative on the Dawes and Young Commissions. From 1896 to 1919 occupied leading posts in the Civil Service.

Sir Philip Cunliffe-Lister (Lloyd-Greame), Secretary of State for the Colonies, ex-President of the Board of Trade; was chairman of the tin syndicate.

U.S.A. (1933)

Andrew W. Mellon, former Ambassador to England, Secretary of the Treasury in the Hoover Cabinet, billionaire, head and ex-President of the Mellon National Bank and of numerous finance and industrial corporations, owner of the Aluminum Co. of America.

Owen D. Young, Chairman of the General Electric Com-

pany, Chairman of the Board of Directors and Director of numerous corporations, former Reparations Agent in Germany, Chairman of the Second Commission of Experts on Reparations (the Young Plan), formerly Acting Governor of the New York Federal Reserve Bank.

JAPAN

All the big monopolist concerns maintain very close personal contacts with the Court, the high bureaucracy, the high nobility, government circles, and with the leaders of the two big political parties (the Seyukai and the Minseito).

Thus, the Japanese Emperor is personally interested in the Mitsubishi concern. One of the daughters of Iwasaki (head of the concern) married the late leader of the Minseito Party, Kato; another married the Minister of Foreign Affairs in the last Minseito government, Shidehara; and a third married the Minister of Finance in the same government, Inouye, who was asassinated in 1932. One of the principals of the Mitsui concern, Fujiwara Ginjiro, is a member of the House of Peers: another, Yamamoto Jotaro, is a prominent leader of the Seyukai Party.

One of the most prominent feudal aristocrats, Prince Saionji (the last member of the Genro), is a brother of the founder of the Sumitomo concern, and an uncle of its present owner.

Of the Yasuda concern, Takahashi Korekiyo is one of the leaders of the Seyukai; Mori Hirozo is chairman of the Government Bank of Taiwan and Shijo Takahide was formerly Minister of Commerce and Industry.

FRANCE

Albert Ayme-Martin, in his book *Nos grands financiers contre la nation*, gives a list of 50 senators and deputies who in 1931 held leading posts on the boards of directors and supervisory boards of 96 of the biggest banks, insurance, industrial and transport joint stock companies. Tardieu, Dalimier, Francois Albert, Paul Doumer (President of the Republic, assassinated by Gorgouloff), Caillaux, Francois Pietri, Loucheur—all of these, either present or former ministers, senators, deputies of the Right and of the "Left," held, or still hold, leading posts in joint stock enterprises.

The *Deutsche Bergwerkszeitung*, the organ of German heavy industry, in its issue of June 14, 1934, published an

article showing that behind the official government of France there stands an unofficial government composed of leaders of finance capital. The article contains a list of the names of this financial oligarchy and the roles they play. Below we reproduce the list with the newspaper's comments:

"*Presidency and Foreign Affairs*: Horace Finaly, managing director of the Banque de Paris et des Pays-Bas and Francois de Wendel, member of the Board of Governors of the Banque de France.

"*Industry and Commerce*: Duchemin, President of the Confederation de la Production Francaise, member of the Board of Governors of the Banque de France.

"*Foreign Trade*: Etienne Fougere, President of the National Association of Economic Expansion.

"*Agriculture*: Marquis de Vogue, President of the United Farmers of France, President of the Suez Canal Co., member of the Board of Governors of the Banque de France.

"*General Insurance*: Mallet, President of the biggest insurance companies and member of the Board of Governors of the Banque de France.

"*Transport*: Rothschild, banker, President of the Northern Railway and member of the Board of Governors of the Banque de France.

"*Armaments*: Schneider, of Schneider & Co. (Creusot), Managing Director of the Paris-Lyons & Mediterranean Railway, Managing Director of the Banque des Pays du Nord and of the Credit Lyonnais, President of the European Industrial and Financial Union.

"*The Press*: Pierre Guimier, Managing Director of the Havas Agency.

"*Internal Affairs and Propaganda*: Ernest Mercier, President of the Redressement Francais, Managing Director and member of the auditing committees of twenty electric companies.

"*Culture*: Fouret, President of Messageries Hachette.

"*Colonies*: Emile Moreau, President of the Banque de Paris et des Pays-Bas (to which the Madagascar Bank is subordinated), Managing Director of the Banque de l'Indochine, President of the Compagnie Generale du Maroc and of the Compagnie Generale des Colonies.

"The industrial might of France is embodied in the General Confederation of French Industries and the National Association of Economic Expansion. With the aid of these two

centres of power, the Comite des Forges, headed by de Wendel and Lambert-Ribot, and the Coal Committee, headed by de Peyerimhoff, control large insurance, electric, woollen and silk companies, the whole of commerce and industry.

"Five thousand men are at the head of the most important joint stock companies.

"One hundred men rule this oligarchy.

"Twenty magnates, heads of industrial, commercial and agricultural organisations, control the Banque de France, and consequently, the credit of the French Republic.

"Two men stand at the head of this oligarchy: Horace Finaly, Managing Director of the Banque de Paris et des Pays-Bas, and Francois de Wendel. These two men embody and unite big capital in industry and finance."

SOURCES: For Germany—*Grunbuch der Aktiengesellschaften*, 1932, 1933; for England and U.S.A.—*Stock Exchange Yearbook*, *Who's Who in Finance*, *Bankers' Almanac*, 1932; for France—A. Ayme-Martin, *Nos grands financiers contre la nation*, 1931, and *Deutsche Bergwerkszeitung*, 14, VI, 1934; for Japan—Takahashi, *Financial Description of Concerns*, 1930 (in Japanese).

CHAPTER III

FINANCE CAPITAL AND FINANCIAL OLIGARCHY

AN EVER-INCREASING portion of industrial capital—says Hilferding—does not belong to the industrialists who employ it. They obtain the use of it only through the bank, which, as against them, represents the owner of the capital. On the other hand, the bank is forced to leave an increasing share of its funds in industry. Thus, to an ever-increasing degree the bank is being transformed into an industrial capitalist. This bank capital, i.e., capital in the form of money which is thus transformed into industrial capital, I call "finance capital".... Finance capital is therefore "capital controlled by the banks and utilised by the industrialists."*

This definition is incomplete in so far as it is silent on one of the most important points, namely, the growth of concentration of production and of capital to such a great extent that the concentration leads and has led to monopoly. But throughout the whole of Hilferding's exposition, and particularly in the two chapters which precede the one from which this definition is taken, the role of *capitalist monopolies* is stressed.

The concentration of production, the monopolies arising therefrom, the merging or concrescence of banks with industry: this is the history of the rise of finance capital and the content of this concept.

We now have to go on to the description of how, under commodity production and private property, the "domination" of capitalist monopolies inevitably becomes the domination of a financial oligarchy. It should be noted that the representatives of German bourgeois science—and not alone of German science—like Riesser, Schulze-Gaevernitz, Liefmann, etc.—are all apologists for imperialism and for finance capital. Instead of revealing the "mechanics" of the formation of the oligarchy, its methods, the extent of its "innocent and sinful" revenues, its connections with parliament, etc., etc., they conceal, obscure and embellish them. They evade these "vexing questions," by a few vague and pompous phrases: appeals to "the sense of

*Hilferding, *op. cit.*, p. 301.

responsibility" of bank directors, by praising "the sense of duty" of Prussian officials; by seriously considering details of empty legislative projects for "supervision" and "regulation"; playing with theories, like, for example, the following "scientific" definition, arrived at by Professor Liefmann. "*Commerce is trading activity concerned with the collection and storing of goods and making them available*" (the professor's italics).* From this it would follow that primitive man, who as yet knew nothing about exchange, engaged in commerce, and that it will also exist in socialist society!

But the monstrous facts concerning the monstrous rule of the financial oligarchy are so striking that in all capitalist countries, in America, France and Germany, a whole literature has sprung up, written from the *bourgeois* point of view, but which nevertheless gives a fairly accurate picture and criticism—*petty bourgeois* naturally—of this financial oligarchy.

As the cornerstone, ought to be taken that very "system of participation" of which we have already briefly spoken above. The German economist, Heymann, probably the first to call attention to this, describes its essence in this way:

> The director controls the parent company; the latter the "daughter companies" which in turn control "grandchildren companies," *etc.* Thus, it is possible with a comparatively small capital to dominate immense spheres of production; for if holding 50 per cent of the capital is always sufficient to control a company, the director needs only one million to control eight millions in "grandchildren companies." And if this system is extended, it is possible with one million to control sixteen, thirty-two or more millions.†

Experience shows that it is sufficient to own 40 per cent of the shares of a company in order to control its affairs, for a certain number of the scattered, small shareholders find it impossible in practice to attend general meetings, *etc.* The "democratisation" of the ownership of shares, from which the bourgeois sophists and opportunist "would-be Social-Democrats" expect (or claim that they expect) the "democratisation of capital," the strengthening of the role and importance of the small manufacturer, *etc.*, is, in fact, one of the ways of increasing the power of the financial oligarchy. For this reason,

* Liefmann, *Beteiligungsgesellschaften*, p. 476.
† Heymann, *op. cit.*, pp. 268, 269.

among others, in the more advanced, or in the older and more "experienced" capitalist countries, the law allows the issue of shares of smaller denomination. In Germany, it is illegal to issue shares of lower face value than one thousand marks, and the magnates of German finance look with an envious eye on England, where it is legal to issue one-pound shares. Siemens, one of the biggest industrialists and "financial kings" in Germany, told the Reichstag on June 7, 1900, that "the one-pound share is the basis of British imperialism." * This merchant has a much deeper and more "Marxian" understanding of imperialism than a certain disreputable writer, considered the founder of Russian Marxism, who believes that imperialism is a fault peculiar to only one nation....†

But the "system of participation" not only serves to increase enormously the power of the monopolists; it also enables them with impunity to resort to all sorts of shady and unsavoury tricks to cheat the public, for the directors of the "mother company" are not legally responsible for the "daughter company," which is considered "independent," and *through the medium* of which they can put through *anything*. Here is an example taken from the German review, *Die Bank*, for May, 1914:

> The Steel Spring Corporation of Cassel, for instance, was some years ago one of the most profitable enterprises in Germany. Through bad management its dividends fell from 15 per cent to nil. It appears that the board, without the knowledge of the shareholders, had loaned *six million marks* to one of the "daughter companies," the Hassia Corporation, which had a nominal capital of only some hundreds of thousands of marks. This loan, amounting to nearly treble the capital of the parent company, was never mentioned in its balance sheets. This omission was quite legal, and could be continued for two whole years because it did not violate any provision of commercial law. The chairman of the board of directors, who as the responsible head signed the false balance sheets, was and is still the president of the Cassel Chamber of Commerce. The shareholders only heard of the loan to the Hassia Corporation long afterwards, when it had proved a blunder [a word the writer should have put in quotation marks], and when Steel Spring shares, as a result of sales by those in the know, had lost nearly all their value....
>*This typical example of balance sheet jugglery, quite common in joint stock companies*, explains why the

* Schulze-Gaevernitz, *op. cit.*, p. 110.

† The reference is to Plekhanov.—*Ed.*

boards of directors are more willing to undertake risky transactions than are private businessmen. Modern methods of drawing up balance sheets not only make it easy to conceal risky undertakings from the average shareholder, but also allow the people most concerned to avoid responsibility by getting rid of their shares in time if things turn out badly, whereas the private businessman has to answer for everything he does.

The balance sheets of many joint stock companies put us in mind of the palimpsests ‡ of the Middle Ages, from which one had first to erase the visible inscription in order to decipher the signs beneath, giving the real meaning of the document....

The simplest and, therefore, most common procedure for making balance sheets indecipherable is to divide a business into several parts by setting up or acquiring "daughter companies." The advantages of this system for various objects—legal and illegal—are so evident it is quite unusual to find an important company in which it is not actually in use.*

As an example of a very big monopolist company very widely employing this system, the author names the famous *Allgemeine Elektrizitats-Gesellschaft*, the A.E.G. to which we shall return later. In 1912, it was calculated that this company held shares in *from* 175 *to* 200 others, controlling them, of course, and thus having control of a total capital of about 1,500 million marks.†

All rules of control, the publication of balance sheets, the drawing up of balance sheets according to a definite form, the establishment of inspection, *etc.*, the things about which well intentioned professors and officials—that is, those with the good intention of defending and beautifying capitalism—call to the attention of the public, are of no avail. For private property is sacred, and no one can be prohibited from buying, selling, exchanging or hypothecating shares, *etc.*

The extent to which this "system of participation" has developed in the big Russian banks may be judged by the figures given by E. Agahd, who was for fifteen years an official of the Russo-Chinese bank, and in May, 1914, published a book

‡ Palimpsests are parchment documents from which the original inscriptions have been erased and other inscriptions imposed.

* Ludwig Eschwege, *"Tochtergesellschaften"* in *Die Bank*, 1914, I, pp 544-546. (Lenin's italics—*Ed.*)

† Kurt Heinig, *"Der Weg des Elektrotrusts"* in *Die Neue Zeit*, 1912, II, p. 484 *n.*

not altogether correctly entitled *Big Banks and the World Market*.‡

The author divides the big Russian banks into two basic categories: (a) those which operate under the "system of participation"; (b) "independent" banks (the independence of the latter being arbitrarily taken to mean independence of *foreign* banks). The author subdivides the first group into three sub-groups: (1) German, (2) British and (3) French, having in mind "participation" and control of the very big foreign banks of the given nationality. The author divides the capital of the banks into "productive" capital (invested in industrial or commercial undertakings), and "speculative" capital (invested in stock exchange transactions and financial operation), assuming, from the characteristic petty-bourgeois-reformist point of view, that it is possible even under capitalism to separate the first form of investment from the second and to abolish the second form.

Here are his figures:

‡E. Agahd, *Grossbanken und Weltmarkt. Die wirtschaftliche und politische Bedeutung der Grossbanken im Weltmarkt, unter Berücksichtigung ihres Einflusses auf Russlands Volkswirtschaft und die deutsch-russischen Beziehungen*, Berlin, 1914, pp. 84, 116, 117, 212.

ASSETS OF THE BANKS, OCTOBER-NOVEMBER, 1913

(In Millions of Rubles)

Russian Banks	Assets		
	Productive	Speculative	Total
A. Under the "System of Participation"			
1. German participation			
Four banks: Siberian Commercial, Russian, International, and Discount	413.7	859.1	1,272.8
2. English participation			
Two banks: Russian Commercial and Industrial, and Russo-British	239.3	169.1	408.4
3. French participation			
Five banks: Russo-Asiatic, St. Petersburg Private, Azov-Don, Union Moscow, Russo-French Commercial	711.8	661.2	1,373.0
Total (11 banks)	1,364.8	1,689.4	3,054.2
B. Independent Russian Banks			
Eight banks: Moscow Merchants, Volga-Kama Commercial, I. W. Junker & Co., St. Petersburg Commercial (formerly Wawelberg), Moscow Bank (formerly Ryabushinsky), Moscow Discount, Moscow Commercial, and Moscow Private	504.2	391.1	895.3
Total (19 banks)	1,869.0	2,080.5	3,949.5

According to these figures, of the almost four billion rubles making up the "working" funds of the big banks, *more than three-fourths*, more than three billions, belonged to banks which in reality were only subsidiary companies of foreign banks, and chiefly of the Paris banks (the famous trio: *Banque de l'Union Parisienne, Banque de Paris et des Pays-Bas* and *Societe Generale*) and the Berlin banks (especially the *Deut-*

sche Bank and *Disconto-Gesellschaft*). Two of the most important Russian banks, the "Russian" (Russian Bank for Foreign Trade) and the "International" (St. Petersburg International Commercial Bank), increased their capital from 44 to 98 million rubles between 1906 and 1912, and their reserves from 15 to 39 millions, "employing three-fourths German capital." The first bank belongs to the Berlin *Deutsche Bank* group, and the second to the Berlin *Disconto-Gesellschaft*. The worthy Agahd is highly indignant at the fact that the majority of the shares are in the hands of Berlin banks, and that therefore the Russian shareholders are powerless. Naturally, the country which exports capital takes the cream: for example, the Berlin *Deutsche Bank*, while introducing the shares of the Siberian Commercial Bank in Berlin, kept them in its portfolio for a year, and then sold them at 193 (par 100), that is, at nearly twice their nominal value, "earning" a profit of about 6 million rubles, which Hilferding calls "founders' profits." [1]

The author puts the total "strength" of the biggest St. Petersburg banks at 8,235 million rubles, about 8¼ billions;* the "participation," or rather, the extent to which foreign banks dominated them, he distributes as follows: French banks, 55 per cent; English, ten per cent; German, 35 per cent. Of the total of 8,235 million rubles of active resources, 3,687 millions, or over 40 per cent, belongs according to the calculation of the author, to the *Produgol* [Coal.—*Ed.*] [2] and *Prodamet* [Metal.—*Ed.*] [3] syndicates, and to the syndicates in the oil, metallurgical and cement industries. Thus, the fusion of banks and industrial capital has made great strides in Russia in connection with the formation of capitalist monopolies.

Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issuance of stock, state loans, *etc.*, tightens the grip of financial oligarchies and levies tribute on the whole of society for the benefit of monopolists. Here is one of the innumerable examples of control of American trusts quoted by Hilferding: In 1887, Havemeyer founded the Sugar Trust by amalgamating fifteen small firms, whose total capital amounted to $6,500,000. Suitably "watered," [4] as the Americans say, the capital of the new trust was fixed at $50,000,000. This "over-capitalisation" discounted the future

* Assets of banks plus assets of syndicates they control.—*Ed.*

profits of the monopoly, in the same way as the American Steel Trust discounts its profits by buying up as many iron ore lands as possible. In fact, the sugar trust managed to impose its monopoly prices, which secured it such profits that it was able to pay 10 per cent dividends on capital "watered" *seven-fold, or about 70 per cent on the capital actually invested at the time the trust was formed!* In 1909, the capital of the trust was $90,000,000. In twenty-two years, it had increased its capital more than tenfold.*

In France, the rule of the "financial oligarchy" ("Against the Financial Oligarchy in France," the title of the well-known book by Lysis, the fifth edition of which appeared in 1908) assumed a form that was only slightly different. Four of the very biggest banks enjoy not a relative, but an "absolute monopoly" in the issuance of bonds. This is really a "trust of the big banks." And the monopoly ensures them monopolist profits from bond issues. A country borrowing from France rarely gets more than 90 per cent of the total of the loan, 10 per cent goes to the banks and other intermediaries. The profit made by the banks on the Russo-Chinese 400 million franc loan amounted to 8 per cent; on the Russian (1904) 800 million franc loan, 10 per cent; and on the Moroccan (1904) 62.5 million franc loan, 18.75 per cent. Capitalism, which began its development with petty usury capital, ends its development with gigantic usury capital. "The French," says Lysis, "are the usurers of Europe." All the conditions of economic life are profoundly modified by this transformation of capitalism. With a stationary population and stagnant industry, commerce, and shipping, the "country" can grow rich by usury. "Fifty persons representing a capital of 8 million francs can control *two billion* in four banks." The "system of participation," with which we are already familiar, leads to the same result. One of the biggest banks, the *Societe Generale*, issued 64,000 bonds of its subsidiary, the Egyptian Sugar Refineries. The bonds were issued at 150, the bank gaining 50 cents on every dollar. The dividends of this company were found to be fictitious; the "public" lost from 90 to 100 million francs; one of the directors of the *Societe Generale* was a member of the board of directors of the Egyptian Refineries. Hence it is not surprising that the author is driven to the conclusion that "the French Republic is a financial monarchy; the financial oligar-

* Hilferding, *op. cit.*, p. 299.—*Ed.*

chy is the supreme power; it controls the press and the government." *

The extraordinarily high rate of profit obtained from the issuance of bonds, which is one of the principal functions of finance capital, plays a very large part in the development and consolidation of the financial oligarchy. "There is not in the whole country a single business of this kind that brings in profits anywhere near those obtained from the handling of foreign loans," says the German journal *Die Bank*.†

"No banking operation brings in such high profits as the issuance of bonds."‡ According to the *Deutsche Oekonomist*, the average yearly profits on the issuance of industrial securities from 1895 to 1900 were as follows:

1895	38.6 per cent	1898	67.7 per cent
1896	36.1 „ „	1899	66.9 „ „
1897	66.7 „ „	1900	55.2 „ „

In the ten years from 1891 to 1900 more than one *billion* marks were earned on the issuance of German industrial securities.¶

While during periods of industrial boom, the profits of finance capital are disproportionately large, during periods of depression, small and unsound businesses go under, while the great banks "participate" by acquiring their shares for next to nothing, or through profitable "revivifications" and "reorganisations." In the "revivification" of undertakings which have been running at a loss, the share capital is written down, that is, profits are distributed on a smaller capital and for the future are calculated on this smaller basis. Or, if the income has fallen to zero, new capital is called in which, combined with the old and less remunerative capital, will bring in an adequate return. "Incidentally, all these reorganisations and revivifications," says Hilferding, "have a twofold significance for the banks: first, as profitable transactions; and second as

* Lysis, *Contre l'oligarchie financiere en France*, 5th Ed., Paris, 1908, pp. 11, 12, 26, 39, 40, 48.

† *Die Bank*, 1913, II, p. 630.

‡ Stillich, *op. cit.*, p. 143.—*Ed.*

¶ *Ibid.*, p. 143.—*Ed. Cf.* also Werner Sombart, *Die deutsche Volkswirtschaft im 19. Jahrhundert*, Berlin, 1913, p. 197.

opportunities for putting companies in difficulties under their control."*

Here is an instance. The Union Mining Company of Dortmund, founded in 1872, with a capital of about 40 million marks, saw the market price of its shares rise to 170 after it paid a 12 per cent dividend in its first year. Finance capital skimmed the cream, pocketing as earnings a trifle of some 28 million marks. Upon the establishment of this company the principal sponsor was that same big German bank, the *Disconto-Gesellschaft*, which so successfully attained a capital of 300 million marks. Later, the dividends of the Union sank to zero: the shareholders had to consent to a "writing off" of capital, that is, to lose some of it in order not to lose all. By a series of "revivifications," more than 73 million marks disappeared from the books of the Union in the course of thirty years. "At the present time, the original shareholders of this company possess only 5 per cent of the face value of their shares." And the banks continued to "earn" a profit out of every "revivification."†

Speculation in real estate lots in the suburbs of rapidly growing towns is also a particularly profitable operation for finance capital. The monopoly of the banks merges here with the monopoly in ground rent and with monopoly in the means of communication, since the increase in value of lots and the possibility of selling them profitably in parcels, *etc.*, depends most of all on good means of communication with the centre of the town, and these means of communication are in the hands of large companies connected, by the system of participation and by the distribution of positions on the directorates, with the interested banks. As a result we get what the German writer, L. Eschwege—a contributor to *Die Bank*, who made a special study of the real estate business and its mortgaging operations, *etc.*—calls a "swamp": Frantic speculation in suburban lots; bankruptcy of building firms (like that of the Berlin firm of Boswau & Knauer, which got away with 100 million marks with the help of the "most sound and solid" *Deutsche Bank*—the latter acting, of course, discreetly behind the scenes through the "participation" system and losing "only" 12 million marks)—then the ruin of petty owners and workers who get nothing from the swindling building firms, underhand agreements with

*Hilferding, *op. cit.*, p. 152.
†Stillich, *op. cit.*, p. 138.

the "honest" Berlin police and the city administration for the purpose of getting control of the issuance of building site records, building permits, *etc.* *

"American ethics," so strongly but hypocritically condemned by European professors and well meaning bourgeois, have, in the age of finance capital, become the ethics of every large city, no matter what country it is in.

At the beginning of 1914, there was talk in Berlin of the proposed formation of a "transport trust," *i.e.*, a "unity of interests" of three Berlin transportation firms: the metropolitan electric railway, the tramway company and the omnibus company.

> We have known—says *Die Bank*—that this plan exists ever since it transpired that the majority of the shares in the bus company had been acquired by the other transit companies....We may readily believe those who are pursuing this aim when they say that they hope, by unified control of the transport services, to secure economies, part of which may in time benefit the public. But the question is complicated by the fact that behind this transit trust, now being formed, are the banks, which, if they desire, can place the means of communication which they have monopolised at the service of their real estate interests. To be convinced of the plausibility of such a conjecture, we need only recall that from its very foundation the Metropolitan Electric Railway Company's interests were associated with the real estate interests of the big bank which backed it, even to the extent that this joint interest was an essential prerequisite to the creation of this transit system. Its eastern line was to open up land which, when it became certain the line was to be laid, this bank sold at an enormous profit to itself and several other participants....†

A monopoly, once it is formed and handles billions, inevitably penetrates *every* part of public life, regardless of the political structure or of any other "details." In the economic literature of Germany one usually comes across servile praise of the integrity of the Prussian bureaucracy, and allusions to the Panama scandals in France[5] and to political corruption in America. But the fact is that *even* the bourgeois literature devoted to German banking matters constantly has to go far beyond the field of purely banking operations, and to speak, for

* Ludwig Eschwege, "*Der Sumpf*" in *Die Bank*, 1913, II, pp. 952*ff*.

† "*Verkehrstrust*" in *Die Bank*, 1914, I, pp. 89,90.

instance, of the "attraction of the banks" in reference to the increasing frequency with which public officials take positions in the banks. "What about the integrity of a government official who secretly aspires to a lucrative post in the Behrenstrasse" [the street in Berlin in which the main branch of the *Deutsche Bank* is situated] ?" In 1909, the publisher of *Die Bank*, Alfred Lansburgh, wrote an article entitled "The Economic Significance of Byzantinism," dealing, among other things, with Wilhelm II's trip to Palestine, and with "the immediate result of this journey," the construction of the Bagdad railway,* that fateful "great product of the German spirit of enterprise," which "is more responsible for the 'encirclement' than all our political blunders put together."† (By encirclement is meant the policy of Edward VII, who strove to isolate Germany by surrounding her by a cordon of imperialist anti-German allies.) In 1912, another contributor to this journal, Eschwege, to whom we have already referred, wrote an article, "Plutocracy and Bureaucracy," in which he discloses the case of a German official named Volker, who had been a zealous member of the Cartels Committee and who some time later obtained a lucrative post in the very biggest cartel, the Steel Syndicate.‡ Similar cases, by no means fortuitous, forced this bourgeois author to admit that "the economic liberty guaranteed by the German Constitution has become, in many departments of economic life, a meaningless phrase" and that under the existing rule of the plutocracy, "even the widest political liberty can not save us from being changed into a nation of unfree people."¶

As for Russia, we will content ourselves with one example.

Some years ago, all the newspapers carried the news that the Director of the Credit Department of the Treasury, Davydov, had resigned his post to take a position with a certain big bank at a salary which, according to the contract, was to amount to over a million rubles in a few years. The Credit Department is an institution whose function is to "co-ordinate the activities of all the State Credit institutions" and grant

*A. Lansburgh, "*Der Zug zur Bank*" *in Die Bank*, 1909, I, p. 79.

†Lansburgh, *Die Bank*, 1909, I, p. 307.

‡*Die Bank*, 1911, II, p. 825 *ff.*—*Ed.*

¶*Ibid.*, 1913, II, p. 962.

subsidies of 800 to 1,000 million rubles to banks located in the capitals.*

It is a peculiarity of capitalism in general that the ownership of capital is separate from the application of capital to production, money capital separate from industrial, or productive capital; the rentier, living solely on income from money capital, separate from the entrepreneur and from all those directly concerned in the management of capital. Imperialism, or the rule of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The predominance of finance capital over all other forms of capital means the dominating position of the rentier and the financial oligarchy; it means the crystallisation of a small number of financially "powerful" states from among all the rest. The extent to which this process is going on may be judged from the statistics on emissions, i.e., the issuance of all kinds of securities.

In the Bulletin of the International Statistical Institute,† A. Neymarck published very detailed, complete, and comparative figures on the issuance of securities all over the world, which afterwards were repeatedly quoted in economic literature. The following are the totals for four decades:

TOTAL ISSUES IN BILLIONS OF FRANCS BY DECADES

1871-1880		76.1
1881-1890		64.5
1891-1900		100.4
1901-1910		197.8

Between 1870 and 1880, the total number of issues for the whole world was high, especially owing to the loans floated in connection with the Franco-Prussian War and the company promoting which took place in Germany after the war. In general, the increase is comparatively not very rapid during the three last decades of the nineteenth century, and only the first decade of the twentieth century shows a noteworthy increase, almost a doubling for the decade. Thus the beginning of the

*Agahd, *op. cit.*, pp. 201, 202.

†A. Neymarcks, *Bulletin de l'institut international de statistique*, XIX, *Livre* II, La Haye, 1912, pp. 201-225. The figures on the minor states, second table, were calculated approximately by adding 20 per cent to the 1902 figures.

twentieth century marks the turning point not only in regard to the growth of monopolies (cartels, syndicates, trusts), of which we have already spoken, but also in regard to the growth of finance capital.

Neymarck estimates the total sum of securities in the world in 1910 at 815 billion francs. Deducting from this sum amounts which might have been duplicated, he reduces the sum to 575-600 billions, which amount is distributed among the various countries as follows (taking 600 billion) :

TOTAL SECURITIES IN 1910

(In billions of francs)

Great Britain	142	479
United States	132	
France	110	
Germany	95	
Russia	31	
Austria-Hungary	24	
Italy	14	
Japan	12	
Holland	12.5	
Belgium	7.5	
Spain	7.5	
Switzerland	6.25	
Denmark	3.75	
Sweden, Norway, Rumania, *etc.*	2.5	
Total	600	

It will be seen at once from these figures what a privileged position is held by four of the richest capitalist countries, each of which possesses securities in amounts ranging from approximately 100 to 150 billion francs. Two of these, England and France, are the oldest capitalist countries and, as we shall see, possess the richest colonies ; the other two, the United States and Germany, are in the front rank as regards rapidity of development and the degree of extension of capitalist monopolies in production. Together, these four countries own 479 billions of francs, that is, nearly 80 per cent of the world's finance capital. Thus, in one way or another, almost all the rest of the world plays the role of debtor or tributary to these countries—these international bankers, the four "pillars" of world finance capital.

It is particularly important to examine the part which capital exports play in creating the international network of dependence on and links with finance capital.

[1] "Founders' profit" (*Grundergewinn*) is usually secured by a founder upon the organisation or reorganisation of a joint-stock company. Founders' profit is realised in the following manner: let us suppose that 100,000 shares of stock are issued, at a par of $100—altogether a sum of $10,000,000. The promoters can at once buy all the shares and invest $10,000,000 in the enterprise. Suppose the average profit to be 10 per cent. Then the capital of ten million will "cost" eleven million, and each share instead of $100, will be sold for $110. If the market is stable, the founders will be able to get rid of their shares on the stock exchange at the higher price, thereby getting an extra million dollars, which constitutes their founders' profit. The purchasers of these shares, in case of a fall in the market, pay for their gullibility. The means of securing founders' profits are extremely varied. Often an enterprise is organised solely for the sake of the founders' profit.

[2] *Produgol*—abbreviated name of the syndicate, "Russian Society for Trade in the Mineral Fuels of the Donetz Basin," organised in 1906. Its personnel was made up of eighteen of the largest coal companies, almost all of which were tied up with French capital; 90-100 per cent of the basic capital of these giant corporations belonged to French business men. Before the war *Produgol* raised the price of coal at the point of production by 67 per cent, and in Moscow by 162 per cent above that in the Hughes District (Donetz Basin). In order to raise prices, *Produgol* held up production, thereby producing a fuel famine. During the Imperialist War *Produgol* was reorganised into a government-controlled organ.

[3] *Prodamet*—abbreviated name of the syndicate "Society for the sale of the Products of Russian Metallurgical Works." This syndicate had its inception in October, 1901, at the 26 Congress of Mine Owners of South Russia, which discussed the reasons for the crisis at that time and means of getting out of it. At the meeting, the engineer Yasyukovich introduced a "project for the uniting of the representatives of the southern metallurgical works." Yasyukovich's idea was not carried out in its entirety. Instead of the syndicating of all production, there took place the uniting of individual branches of the iron-making industry. To form the *Prodamet*, the biggest metallurgical enterprises of South Russia, with a capital of from 6 to 41 million rubles, combined, but the leading role in these enterprises was played by foreign capitalists, primarily the French, who carried on their activity through the biggest St. Petersburg banks. The syndicate set high prices on the domestic market (about 20-30 per cent higher than on the foreign market) by means of curtailment of supply; in 1911 this led to a cast iron shortage. In 1908 an attempt was made to convert the syndicate into a metallurgical trust. Formally, this trust was not permitted by the government, but actually

it worked beautifully, robbing the consumers by means of a systematic increase in prices.

[4]Watering of capital consists in this: the actual capital is valued at a very much increased sum (*e.g.*, a capital of $5,000,000 is valued at $50,000,000), and shares are issued and sold on the basis of the latter sum. This manipulation makes it possible for the managers of an enterprise to lay their hands on a great deal of money. At a definite date (before the first bankruptcy) they pay the ones who have purchased their shares the usual rate of interest. After the bankruptcy, the dictators feather their nests with the capital they have accumulated by the methods mentioned, and the broad masses of shareholders are ruined.

[5]The *French Panama* scandals arose in connection with the digging of a canal connecting the Atlantic and Pacific Oceans, through the Isthmus of Panama which connects North and South America. Work on this canal was started for the first time in 1882 by the French Lesseps Company, which went bankrupt in 1888. The canal was not completed until 1913, by the United States. In connection with the bankruptcy of the Lesseps Company, an enormous theft was discovered—bribery, fraud, and other swindles as well, in which not only the heads of the Lesseps Company participated, but also well-known political figures (Clemenceau, Loubet, and others). Since then the word "Panama" has come to be used as a designation for any big swindling operation.

[6]Bagdad is a city in Arabia on the Tigris River, to which Germany planned to build a great railway (the Berlin-to-Bagdad Railway). It was to serve as a means of consolidating Germany's hegemony in Asia Minor and the Arabian peninsula and to open a road for its economic influence on India and Egypt, acting as a threat to the hegemony of England in these last two countries. To offset this German plan, which was cut short by the Imperialist War in 1914, two other plans for great railways were initiated: the English "3 C's"—Calcutta to Cairo to the Cape (South Africa); and the Russian plan of the "2 P's" (Petersburg to the Persian Gulf).

NEW DATA FOR CHAPTER III

THE HOLDING SYSTEM

GERMANY

A very characteristic example of how, with the aid of a comparatively small amount of capital, it is possible to control huge amounts of capital is provided by the holdings of the steel magnate Flick. As the owner of the majority of the stock of the Charlottenhutte iron and steel works, which has a capital of 20 million marks, he was able, up to 1932, by means of a complicated five-storey system of holdings, to control 82 companies, including the German Steel Trust, having a total capital of 1,706 million marks. Owing to financial difficulties, Flick lost control of the steel trust in 1932-33, and the dominating role passed to the Thyssen group.

UNITED STATES

The official investigation of the electrical industry conducted by the Federal Trade Commission revealed that by means of a "five-storey pyramid" of holdings, the Byllesby concern was able, with a capital investment of less than *one* million dollars, to acquire control over a productive capital exceeding 370 million dollars.

The Insull electric power concern, which went bankrupt during the crisis, controlled, through a "six-storey" system of holdings, 132 companies and had an interest in 248 other companies.

Professors Adolph A. Berle and Gardiner C. Means, of Columbia University, analysed the reports of 1929-30 of over 200 of the biggest companies and revealed the methods by which they were controlled. The total combined assets of these companies amounted to 81 billion dollars, equal approximately to one-half of the entire corporate wealth of all industrial, railway and public utility concerns in the U.S.A. The results of this analysis are summarised in the following table:

Control was exercised by ownership of:	Number of companies	Assets (billion dollars)
Majority of capital stock	22	4.9
Minority of capital stock	176	75.9

Thus, $76,000,000,000, or 94 per cent of the total assets of the 200 companies, is controlled by a handful of monopolists owning a minority of the stock in each of them.

The authors mention the following methods by which control is exercised.

1. By owning a sufficiently large controlling block of stock, while the majority of the stock is distributed among a large number of disunited stockholders. For example, Baker and Vanderbilt control the Delaware, Lackawanna & Western R. R. Co., although they own only 18 per cent of the stock.

2. By an intricate series of pyramided holding companies. Pointing to the well-known case of the Van Sweringen brothers as a striking example of this, the authors say:

"In recent years the Van Sweringen brothers have been notably successful in using this device to create and retain control of a great railroad system. Through an intricate series of pyramided holding companies they gathered together vast railroad properties extending nearly from coast to coast. As the system was built up the structure of holding companies was simplified until at the beginning of 1930 it was not unduly complex. The major ramifications are shown in Chart III (see page 127 in this volume—*Ed.*). By this pyramid an investment of less than $20,000,000 has been able to control eight Class I roalroads having combined assets of over $2,000,000,000. Less than 1 per cent of the total investment or hardly more than 2 per cent of the investment represented by stock has been sufficient to control this great system."[1]

3. Control through various legal devices. The non-voting common stock of the Dodge Brothers, Inc. issued in 1925 can be quoted as an example. "In this case neither the preferred nor four-fifths of the common stock was entitled to vote in the election of directors. By owning 250,000 voting common shares representing an investment of less than two and one-quarter million dollars, Dillon, Read & Co. was able to exer-

[1]After the bankruptcy and reorganisation of the Van Sweringen concern in the autumn of 1935 and the death of both brothers in 1935-36 the United States Senate investigation in 1936 established: 1) That for an investment of $3,121,000 they controlled assets to the amount of $3,183,285,783, *i.e.*, control was concentrated not in one per cent but in one per thousand of total invested capital; 2) That, as Senator Wheeler, Chairman of the Investigation Commission, said, "the Van Sweringens were simply nominees of the Guaranty Trust," *i.e.*, of Morgan.

cise legal control over this hundred-and-thirty-million-dollar concern."

Another example is that of the Standard Gas & Electric Co. "Each share of $1 par preferred stock of that company had as much voting power as a $50 par common share. In 1929, the million shares of the cheap stock were able to cast 41 per cent of the votes outstanding. Here again a million dollar par value of stock presumably representing a million dollars of investment was able to exercise practical control over $1,000,000,000 of assets."

4. By securing the most important posts in the management, without owning a large block of stock. The authors, Berle and Means, assert that this is the method by which control is exercised over the biggest industrial and railroad concerns, such as the U.S. Steel Corp., the General Electric Co., the American Telephone & Telegraph Co., the Pennsylvania R.R., the New York Central R.R., etc.

SOURCES: *Grunbuch der Aktiengesellschaften*, 1933; C. D. Thompson, *The Confessions of the Power Trust*, 1933, pp. 234-41; A. A. Berle, Jr. and Gardiner C. Means, *The Modern Corporation and Private Property*, Macmillan, New York, 1933. pp. 19, 70-115; *Railway Age*, 12, 19 and 26, XII, 1936.

THE INTERLOCKING OF INDUSTRIAL AND FINANCIAL JOINT STOCK COMPANIES IN GERMANY

(January 1, 1932)

	Number of companies	Total share capital (million marks)	Companies whose stock is owned by other companies						
			Number of joint stock companies	Total share capital	Share capital in the hands of other companies according to industry				
					Total	Banks and Finance companies	Industrial companies	Water, Gas, Electricity	Transport
					(million marks)				
Banks and finance companies	986	4,478	346	2,993	823	495	227	47	38
Industrial companies	5,443	13,680	1,103	6,772	3,253	1,273	1,853	63	21
Water, gas, electricity	286	2,885	203	2,138	1,013	521	48	437	8
Transport	439	1,913	187	1,040	321	133	30	26	119
Total	10,437	24,653	2,288	13,475	5,697	2,496	2,285	578	198

SOURCE: *Vierteljahrshefte zur Statistik d. Deutschen Reichs*, 1932, H. 2, S. 76, 78-80.

GERMAN GOVERNMENT[1] HOLDINGS IN JOINT STOCK COMPANIES

(January 1, 1932)

	All companies	Companies in which government owns stock		Government holdings			
	Number	Total Capital Stock (million marks)	Number	Total Capital Stock (million marks)	Total Holdings (million marks)	Per cent of total capital stock of all companies in given industry	Per cent of total capital of companies in which the government has interests
Banks and finance companies	986	4,478	83	1,370	780	17.4	56.9
Industrial companies	5,443	13,680	44	505	72	0.5	14.3
Water, gas, electricity	286	2,885	140	2,021	1,019	35.3	50.4
Transport	439	1,913	199	1,285	813	42.5	63.3
Commerce	2,661	1,209	80	169	91	7.6	53.8
Total	10,437	24,653	583	5,374	2,789	11.3	51.9

During the world economic crisis government holdings in joint stock companies increased. The increase in government holdings was a form of subsidising joint stock companies, which, however, did not establish actual government control over them. Government holdings in joint stock companies are now being reduced by various financial manipulations.

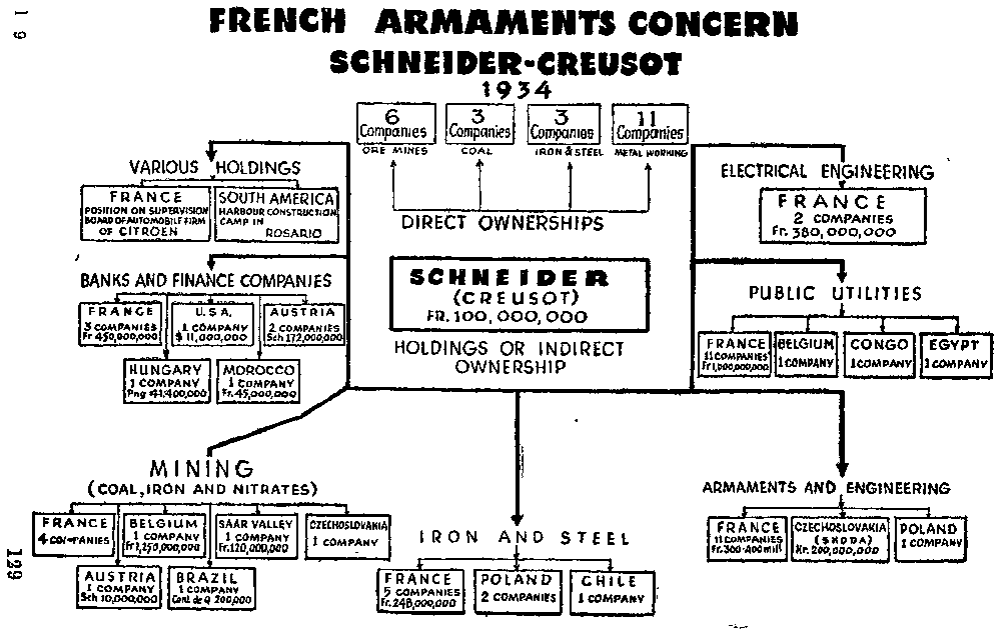
[1] "Government" includes: The Reich Government, Land governments, Prussian provinces, municipalities, and other public bodies.

SOURCE: *Vierteljahrshefte zur Statistik d. Deutschen Reichs*, 1932, H. 2, S. 76, 84.

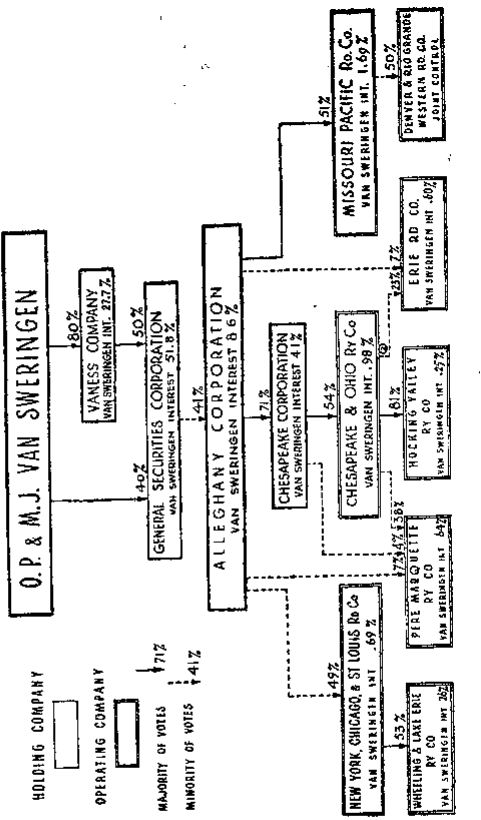
FRENCH ARMAMENTS CONCERN

SCHNEIDER-CREUSOT

1934



MAJOR ELEMENTS IN THE CONTROL OF THE VAN SWERINGEN SYSTEM OF RAILROADS[1]



[1] As of April 30, 1930.
[2] Held via Virginia Transportation Co. which was 100% owned by Chesapeake & Ohio Ry. Co.

SOURCE: *The Modern Corporation and Private Property*, Berle and Means, p. 74.

MONOPOLY OF THE BANKS IN THE FLOTATION OF FOREIGN LOANS

The monopoly of a few very big banks in issuing securities is illustrated by the following figures of bond issues of the biggest banks in the U.S.A.

During the post-war period the following banks headed consortiums floating foreign loans to the amounts indicated:

	Year	Amount (million dollars)	Per cent of total foreign issues for period 1920-31
House of Morgan ..	1920-31	1,876	19.0
Dillon, Read & Co. ..	1919-31	1,491	15.1
Speyer & Co. ..	1920-30	276	2.8
Chase Securities Corp.	1921-30	1,023	10.4
Equitable Trust Co. ..	1921-30	479	4.9
Guaranty Trust Co. of N. Y. ..	1920-31	541	5.5
Total six banks ..		5,686	57.7

SOURCES: *Hearings of U.S. Senate Commission—Sale of Foreign Bonds in the United States*, 1932, Part 2.

BANK PROFITS FROM FLOTATION OF FOREIGN LOANS

An idea of the profits the banks rake in from bond issues can be obtained from the report of the U.S. Senate Commission which investigated the issue of foreign bonds on the American market during the post-war period. From a wealth of material we quote the following few examples:

Name of bank and date of issue	Title of Loan	Nominal amount of issue (mill. dollars)	Per cent share received by borrower	Per cent share received by banks and other agents
F. J. Lisman & Co.				
August 25, 1924 ..	Lower Austria hydro-electric station (6½%) ..	3	80.8	19.2
April 22, 1925 ..	Tyrol hydro-electric station (7½%) ..	3	84.4	15.6
January 20, 1925 ..	Rima Steel Co. Hungary (7%) ..	3	81.7	18.3
Speyer & Co.				
December 17, 1924	Greek State Loan (League of Nations) (7%) ..	11	91.0	9.8
July 15, 1925 ..	Hungarian United Municipalities (7½%) ..	10	91.6	8.4
Dillon, Read & Co.				
July 1924 ..	Great United Power Co., Japan (7½%) ..	15	87.4	12.6
August 1924 ..	Sespedes Sugar Co., Cuba (7½%) ..	3	90.9	9.1
September 1921 ..	Brazilian State Loan (8%) ..	25	91.4	8.6
May 1926 ..	Colombia Agricultural Mortgage Bank (7%)	3	90.4	9.6
February 1927 ..	Bolivian State Loan (7%)	14	91.4	8.6
May 1928 ..	St. Lawrence Paper Co., Canada (6%) ..	11	88.5	11.5
Chase Securities Corp.				
January 1, 1926 ..	Buenos Aires Provincial Loan Argentina (7%)	4.2	91.0	9.0
April 1, 1926	Buenos Aires Provincial Loan, Argentina (7%)	10.6	88.0	12.0
Harris Forbes & Co.				
March 1, 1925 ..	General Electric Co., Germany (6½%) ..	5	91.4	8.6

SOURCE: *Hearings of U.S. Senate Commission—Sale of Foreign Bonds in the United States*, 1932, Part 1 and 2.

HOW THE BANKS TAKE ADVANTAGE OF THE CRISIS TO SUBORDINATE INDUSTRIAL ENTERPRISES

During the post-war period, and particularly during the world economic crisis, the banks very widely resorted to "reconstruction" as a means of subordinating weaker joint stock companies. The following are a few examples:

Dickerhoff and Wiedmann of Wiesbaden, one of the largest construction companies in Germany. After stabilisation of the mark, its share capital amounted to 7.3 million marks (1925). As a result of three "reconstructions" in 1927 and during the crisis, the capital of the company was reduced by 11.9 million marks; and the last "reconstruction" resulted in the control of the company passing from the Dickerhoff and Wiedmann families to Dresdner Bank.

The Deschimag Company, the big shipbuilding firm, has had three "reconstructions" since the stabilisation of the mark—in 1926, 1930 and 1932. As a result, 30.84 million marks of the capital stock of the company was written off. At the last "reconstruction" the capital of the company was reduced from 14 million marks to 700,000 marks. In 1933 the capital was again increased to 6.7 million marks. The new shares to the amount of 6 million marks were distributed among the creditors by the conversion of their credits into shares. More than half of the new shares went to the Norddeutsche Kredit Bank, which became the owner of the company; the rest was divided among six big banks.

In 1933, the Lothringen Coal Company while under "reconstruction" annulled its shares to the value of 4.4 million marks. The remaining capital of 45.6 million marks was reduced to 3.8 million marks. Later, it was raised to 20.9 million marks. Of the new 17.1 million marks of capital the banks (Deutsche Bank—Disconto-Gesellschaft and others) became holders of 12.7 million marks by the conversion of their credits into shares. In this manner the majority of the stock passed into the hands of the banks. After all this "reconstruction" the balance sheet of the company still shows huge bank credits to the extent of 14.2 million marks.

Even before its "reconstruction" the majority of the shares of the Karstadt Department Store belonged to the big Berlin

banks. Its debts to banks amounted to 62.5 million marks. In the process of "reconstruction" its capital was reduced from 75 million marks to 7.7 million marks, which later was raised to 28.1 million. Of the new capital of 20.4 million marks, shares to the value of 15.9 million marks were allocated to the Dresdner Bank and the Kommerz- und Privatbank, and the rest to other banks by partial conversion of their credits into shares.

SOURCES: *Die Bank*, 16, VIII, 1933, S. 1192; *Grunbuch der Aktiengesellschaften*, 1933, S. 4684, 4885; *Der Deutsche Volkswirt*, 5, X, 1933.

RECENT EXAMPLES OF THE USE OF GOVERNMENT FUNDS FOR THE "RECONSTRUCTION" OF MONOPOLIES

Hapag-Lloyd, the biggest steamship concern in Germany, which was on the verge of bankruptcy in 1932, received a government subsidy of 40 million marks and guaranteed credits to the amount of 70 million marks. These funds enabled the company to avert bankruptcy.

In 1931, the Vereinigte Stahlwerke, the biggest steel trust in Europe, one of the actual owners of which was Flick, found itself in difficulties. The government "came to the aid" of Flick and granted him a large subvention by buying from him shares to the amount of 110 million marks at a price that was four times higher than the market price. The predominance which the Government thus acquired was afterwards (1933) removed by financial manipulation.

In 1933, Citroen, the biggest automobile manufacturing firm in France, was unable to meet its financial obligations. Its condition was temporarily relieved thanks to government assistance in securing it bank subsidies. But the crisis had done its work, and the firm went bankrupt in the beginning of 1935.[1]

[1]The Citroen Company was formed in 1923 with a capital stock of 50 million francs. This was increased between August and December, 1924, to 100 million francs, divided into 200,000 shares of 500 francs each. In 1927 Citroen shares were offered on the stock market at 670 francs, but in 1929 rose to 2,140 francs. After that they began to drop rapidly and in 1934 reached 525 francs. In 1928 the company's capital was increased to 400 million francs. On the day after the shares were admitted on the Stock Exchange, the company issued

The Hydroelectric Combine in Piedmont (Italy), one of the biggest enterprises in the Elettrico-Telefonico group, with a capital of about two billion lire was "reconstructed" at government expense through the medium of a semi-government financial institute, which was especially established for the purpose of "reconstructing" industrial companies.

In connection with the bank crash of 1931 the German government offered a huge subvention to the Dresdner Bank which at the same time absorbed the Darmstadter and National Bank (Danatbank). The government bought shares from the bank for 325 million marks and granted it an "advance" of 200 million marks. Of the 525 million marks, 288 million were utterly lost before 1933. By writing off capital and by other manipulations the shares in the government portfolio were reduced from 325 million to 136 million marks. Government advances to the banks during the crisis are calculated

a 75 million franc loan in 1,000 franc 5.5 per cent bonds at 900 francs per share, redeemable in 1958.

In 1930 the company issued another 125 million franc loan in 1,000 franc 5 per cent bonds, redeemable in 1965, issued at 980 francs. From 1924 onwards, the Citroen Company issued to the public stocks and bonds to a total value of 704 million francs.

The Citroen factories grew rapidly and work was carried on on an American scale. They turned out tens of thousands of automobiles a year, beating the Peugeot works, which was affiliated with Ford. Citroen was connected with, or rather was controlled by, General Motors, a Morgan firm, which is also connected with Deterding. But even these connections did not save the firm.

"The mistake Citroen made," states a certain bourgeois financial organ—"was that, while working for a market with a population of 38 million, it erected plants and set prices as if to supply automobiles to the whole of Europe. Citroen did not foresee that he had created an instrument for his own destruction."

In December 1933, Citroen announced a favourable balance of 31,734,444 francs. Accordingly, on January 15, 1934, the shareholders received their dividends. But the balance sheet had been cooked and the dividends proved to be fictitious. In April 1934, a special audit revealed a deficit of 28 million francs; but Citroen published a report denying the auditors' report, and by means of an extensive press campaign that cost him millions of francs, he succeeded in raising the market price of his shares.

The crash, however, was only postponed for a few months. The crisis and the depression did their work.

From the very first years of its existence the Citroen Co.

in the report of the commission of enquiry that was set up at 1.5 billion marks, which is an underestimation.

The bankruptcy of the biggest Austrian Bank, the Credit Anstalt, which was closely connected with British and Dutch capital, caused the Austrian government to grant the bank a subsidy of 723 million Austrian schillings, a sum almost equal to its losses. When in 1934 the Credit Anstalt absorbed the other two big Austrian banks, the government again granted it a subsidy of 41 million schillings and wrote off 48 million schillings of a subsidy previously granted to the absorbed banks.

SOURCES: *Die Bank*, 9, XI, 1933 and 28, XI, 1934; *Grunbuch der Aktiengesellschaften*, Bd. IV, 1933, S. 3949, 3950; *Bankers' Almanac*, 1933-34, p. 1141; *Der Oesterreichische Volkswirt*, 28, IV, 1934, S. 668; *Untersuchung des Bankwesens*, 1933, I. Teil, Bd. I, S. 396-97, 418-19.

had been obliged to resort to the banks for assistance. Do what it may, it could not escape from this yoke. The first bank to put its hand on the firm was Lazard Bros. & Co. An administrative council was set up to manage the affairs of the firm. This council consisted of eight members of whom three were representatives of this bank. Soon after two American banking groups put their hands on the victim: Morgan & Co. and the Commercial Investment Trust got hold of one of the firm's most important branches.

In 1929, Mannheimer, a representative of the Morgan-controlled General Motors, became a member of the administrative council. A number of French financial groups rushed to the "aid" of the industrial adventurer: The Daniel-Dreyfus Bank, the Banque de France, the Credit Lyonnais, etc. Every one of these banks raked in handsome sums in stock exchange speculations, but Citroen went smash.

The holders of Citroen shares lost two billion francs in the crash. This does not include the losses sustained by Citroen's various agents. The extent of these losses can be judged from the fact that the liabilities amounted to 596 billion francs. On the other hand the assets were declared to be 933 million francs, but of this sum 786 million are extremely doubtful. All the numerous branches of the firm, including its industrial enterprises, the Citroen taxi company, the Citroen commercial enterprises in North Africa, Belgium, Holland, Italy, Switzerland and other countries were involved in the crash. (*Pravda*, January 7, 1935).

GROWTH OF CAPITAL ISSUES[1]

TOTAL ISSUES IN BILLION FRANCS

	Decades	
World total	1871-80	76.1
	1881-90	64.5
	1891-1900	100.4
	1901-10	197.8

Four countries whose total share of world issues amounted to 75-80 per cent

(in francs of pre-war parity)

U. S. A.	(1921-30)	328.4
England	(1921-30)	80.3
France	(1921-30)	66.2
Germany	(1924-30)	26.4

[1]Figures for all countries include home and foreign issues without conversions; figures for France do not include all foreign issues but only issues for her colonies.

SOURCES: Figures for 1871 to 1910 are quoted from Lenin (world total). Figures for 1921-30 are taken from the *Statistical Abstract of the United States*, 1928, 1932, 1934; *The Economist*, 1925, No. 4245, 1929, No. 4505, 1932, No. 4662; *Annuaire Statistique* (*Stat. Gen. de la France*), 1934; *Statistisches Jahrbuch fur das Deutsche Reich*, 1932 (figures expressed in francs of pre-war parity).

TOTAL ISSUES (WHOLE WORLD) IN 5-YEAR PERIODS

(Billion francs of pre-war parity)

1896-1900	60.0
1901-05	83.7
1906-10	114.1
1926-30[1]	358.3

[1]Seventeen most important capitalist countries.

SOURCES: The figures for 1896 to 1910 are quoted from *Lenin Miscellany*, Vol. XXII, Russian ed. Figures for 1926-30 for above four countries are taken from the same sources as above table. Figures for remaining 13 countries are taken from *Statistical Yearbook*, L. of N., 1932-33.

As no comparable computations for the post-war period are available, we give below, for the purpose of illustration, the total market values of securities quoted on the New York Stock Exchange for various years, which reveal the enormous increase in securities marketed in the United States since the war.

MARKET VALUE OF SECURITIES ON THE NEW YORK STOCK EXCHANGE

(Billion francs of pre-war parity)

1914		142
1925	(January)	322
1927	„	393
1929	„	614
1933	„	288
1937[1]	„	554
1937[2]	„	327

The nominal value of securities quoted on the London Stock Exchange in 1937 amounted to £17,846,700,000.

[1]No allowance made for depreciation of dollar.
[2]Allowance made for depreciation of dollar.

SOURCES : Figures taken from *Survey of Current Business*, Annual Supplements for 1932, 1936 and April, 1937 and from Cartinhour, *Branch, Group and Chain Banking*, New York, Macmillan, 1931 ; *Economist*, 5, VI, 1937.

CHAPTER IV

THE EXPORT OF CAPITAL

UNDER the old capitalism, under which free competition prevailed, the export of *goods* was typical. Under the newest capitalism, when monopolies prevail, the export of *capital* has become typical.

Capitalism is commodity production at the highest stage of its development, when labour-power itself becomes a commodity. The growth of exchange within the country, and particularly of international exchange, is a characteristic feature of capitalism. Unevenness and irregularity in the development of individual enterprises, individual branches of industry, and individual countries, are inevitable under the capitalist system. England became a capitalist country before any other, and, in the middle of the nineteenth century, having introduced free trade, claimed to be the "workshop of the world," the great provider of manufactured goods for all other countries, which, in exchange, were to keep her supplied with raw materials. In the last quarter of the nineteenth century, *this* monopoly of England was already being undermined as other countries, protected by "protective" tariffs, grew into independent capitalist states. On the threshold of the twentieth century, we see a new type of monopoly being formed. First, monopolist combines of capitalists in all advanced capitalist countries; second, a few very rich countries, in which the accumulation of capital has reached gigantic proportions, occupy a monopolist position. An enormous "surplus of capital" accumulated in the advanced countries.

It goes without saying that if capitalism could develop agriculture, which today lags far behind industry everywhere, if it could raise the standard of living of the masses, which are still poverty-stricken and half-starved everywhere in spite of the amazing advance in technical knowledge, then there could be no talk of a surplus of capital. And the petty-bourgeois critics of capitalism advance this "argument" on every occasion. But then capitalism would not be capitalism; for unevenness of development and semi-starvation of the masses

are fundamental, inevitable conditions and prerequisites of this method of production. As long as capitalism remains capitalism, surplus capital will never be used for the purpose of raising the standard of living of the masses, for this would mean a decrease in profits for the capitalists; instead it will be used to increase profits by exporting the capital abroad, to backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. The possibility for exporting capital is created by the entry of a number of backward countries into international capitalist intercourse, the main railway lines have either been built or are being built there, the elementary conditions for industrial development have been assured, etc. The necessity for exporting capital arises from the fact that in a few countries capitalism has become "over-ripe," and, owing to the backward stage of agriculture and the impoverishment of the masses, capital lacks opportunities for "profitable" investment.

Here are approximate figures showing the amount of capital invested abroad by the three principal countries:*

CAPITAL INVESTED ABROAD

(*In billions of francs*)

Year	England	France	Germany
1862	.. 3.6	—	
1872	.. 15	10 (1869)	
1882	.. 22	15 (1880)	?
1893	.. 42	20 (1890)	?
1902	.. 62	27-37	12.5
1914	.. 75-100	60	44

*J. A. Hobson, *Imperialism—A Study*, 1st Ed., London, 1902, p. 58; Riesser, *op. cit.*, pp. 395, 404; P. Arndt in *Weltwirtschaftliches Archiv*, Vol. 7, 1916, p. 35; Neymarck in *Bulletin de l'institut international de statistique*; Hilferding, *op. cit.*, p. 437; Lloyd George, Speech in the House of Commons, May 4, 1915, as reported in the *Daily Telegraph*, May 5, 1915; B. Harms, *Probleme der Weltwirtschaft*, Jena, 1912, p. 228*ff.*; Dr. Sigmund Schilder, *Entwicklungstendenzen der Weltwirtschaft*, Berlin, 1912, I, p. 150; George Paish, "Great Britain's Capital Investments," in *Journal of the Royal Statistical Society, Vol.* LXXIV, 1910-1911, p. 167; Georges Diouritch, *L'expansion des banques allemandes a l'etranger, ses rapports avec le developpement economique de L'Allemagne*, Paris, 1909, p. 84.

This table shows that the export of capital did not develop formidable proportions until the beginning of the twentieth century. Before the war, the capital invested abroad by the three principal countries amounted to between 175 and 200 billion francs. At the modest rate of 5 per cent, this sum yielded from 8 to 10 billion francs a year. What a solid basis for imperialist oppression, and the exploitation of most of the nations and countries of the world, for the capitalist parasitism of a handful of the wealthiest states!

How is this capital invested abroad distributed among the various countries; *where* is it invested? Only an approximate answer can be given to this question, but it is sufficient to throw light on certain general relations and ties of modern imperialism.

DISTRIBUTION (APPROXIMATELY) OF FOREIGN CAPITAL IN VARIOUS PARTS OF THE WORLD (ABOUT 1910)

(*In billions of marks*)

	England	France	Germany	Total
Europe ..	4	23	18	45
America ..	37	4	10	51
Asia, Africa, Australia	29	8	7	44
Total ..	70	35	35	140

The principal spheres of investment of British capital are its colonial possessions, which are very large in America (for example, Canada) and also, of course, in Asia, *etc.* In this case enormous exports of capital are bound up most closely with huge colonies, whose importance for imperialism, we shall deal with below. In regard to France, the situation is different. French capital exports are invested mainly in Europe, particularly in Russia (at least 10 billion francs). This is mostly *loan* capital, government loans and not capital invested in industrial undertakings. Unlike British colonial imperialism, French imperialism might be termed usury imperialism. In Germany, we have a third variety: its colonies are not large, and German capital invested abroad is divided fairly equally between Europe and America.

The export of capital affects the development of capitalism in those countries to which it is exported, tremendously accelerating it. While, therefore, the export of capital is able to

a certain extent to arrest development in the exporting countries, this can, however, take place only at the cost of a broadening and deepening of the further development of capitalism throughout the world.

The countries which export capital are nearly always able to obtain certain "advantages," the character of which throws light on the peculiarities of the epoch of finance capital and monopolies. The following passage, for instance, appeared in the Berlin periodical, *Die Bank*, for October, 1913:

A comedy worthy of the pen of Aristophanes is being played just now on the international money market. Numerous foreign countries, from Spain to the Balkans, from Russia to the Argentine, Brazil and China, are openly or secretly coming into the big money markets demanding loans, some very insistently. The money markets are not at the moment in very good shape and the political outlook is still unpromising. But not a single money market dares to refuse foreign loans for fear that its neighbour may get ahead of it, grant the loan and so secure some small reciprocal service. In these international transactions there is always something in it for the creditor: either a commercial-political advantage, a coaling station, a harbour, a fat concession, or an order for cannons.*

Finance capital created the epoch of monopolies, and monopolies bring with them everywhere monopolist principles: the utilisation of "connections" for a profitable deal takes the place of competition on the open market. It is a most usual thing to stipulate that the loan granted shall in part be spent on purchases of the products of the creditor country, particularly for war material, ships, *etc.* In the course of the last two decades (1890-1910), France very often resorted to this method. The export of capital abroad thus becomes a means of encouraging the export of commodities abroad. In these circumstances, transactions, especially between big firms, assume a form "bordering on corruption," as Schilder "mildly" puts it.† Krupp in Germany, Schneider in France, and Armstrong in England are instances of firms having close connections with the big banks and the government, and which are not easy to "pass up" when arranging a loan.

France, in granting loans to Russia, "pressed" her in the commercial treaty of September 16, 1905,[1] by securing concessions to run till 1917; the same with the commercial

Die Bank, 1913, II, pp. 1024-25.

†Schilder, *op. cit.* I, pp. 346, 349, 350.

treaty with Japan of August 19, 1911.[2] The tariff war between Austria and Serbia, which, with a seven-month interval, lasted from 1906 to 1911, was partly caused by competition between Austria and France for supplying Serbia with war material. In January, 1912, Paul Deschanel stated, in the Chamber of Deputies, that from 1908 to 1911 French firms had supplied 45 million francs' worth of war material to Serbia.[3]

A report from the Austro-Hungarian Consul at Sao Paulo (Brazil) states:

> The construction of Brazilian railways is being carried out chiefly by French, Belgian, British and German capital. In the financial operations connected with the construction of these railways the countries involved stipulate also for supplying the necessary railway material.*

Thus, finance capital one might literally say, casts its net over all countries of the world. Banks founded in the colonies and their branches, play an important part in these operations. German imperialists look with envy on the "old" colonial countries which in this respect are particularly "well taken care of." In 1904 Great Britain had 50 colonial banks with 2,279 branches (in 1910 there were 72 banks with 5,449 branches); France had 20 with 136 branches; Holland 16 with 68 branches; and Germany had a "mere" 13 with 70 branches.†

The American capitalists, in their turn, are jealous of the English and the Germans:

> In South America—they complained in 1915—five German banks have 40 branches and five English banks have 70 branches.... England and Germany have put into Argentine, Brazil and Uruguay, in the last 25 years, approximately $4,000,000,000, and as a result enjoy together 46% of the total trade of these three countries.‡

The capital-exporting countries have divided up the world in the metaphorical sense of the term. But finance capital has led also to a *direct* partition of the world.

*Quoted by Schilder, *op. cit.*, I, p. 371.—*Ed.*

†Riesser, *op. cit.*, pp. 374-375; Diouritch, *op. cit.*, p. 283.

‡*Annals* of the American Academy of Political and Social Sciences, Vol. LIX, May, 1915, p. 301; *ibid.*, p. 331, we read that the well-known statistician Paish in the latest copy of the financial review, *Statist*, calculated the total capital exported by England, Germany, France, Belgium and Holland at 40 billion dollars, *i.e.*, 200 billion francs.

[2]The commercial treaty between France and Russia was concluded in September 1905, at a time when the tsarist autocracy, faced with the spreading Russian revolution, was compelled to turn to France for financial assistance. The treaty provided for the export of large quantities of goods from France to Russia. The number of items of goods to be imported into Russia from France was nearly three times as large as those exported from Russia to France. Russia exported exclusively raw materials, such as grain, hides, lumber, oil, etc., while France exported to Russia manufactured goods, such as manufactured food products, perfumes, automobiles, etc. The Russian import duties on French goods were lower than the French import duties on Russian goods.

[2]The commercial treaty between France and Japan concluded August 19 (September 1, new style), 1911, was obviously to the advantage of France, since she obtained preference in all the Japanese colonies, while Japan obtained preferences only in the French colony of Algiers, which hardly imported Japanese silk goods. Moreover, France obtained preferences on the imports of French goods into Japan itself, such as sardines, wines, soap, perfumes, automobiles, machinery, etc., while Japan obtained preferences only on raw silk imports into France.

[3]A tariff war is an economic war waged between two or more countries by means of one country raising its tariffs, or customs duties, against the other. The latter, in retaliation, raises its tariffs higher against the former country, which calls forth a still further increase in the tariffs of the first country. This war may be carried to the lengths of placing an embargo on imports of goods of one country to the other. Tariff wars are the prelude to armed wars between the capitalist countries. The tariff war between Austria and Serbia commenced in the early part of 1906. The formal pretext for this war was the agreement concluded between Serbia and Bulgaria which affected the interests of Austria. As a protest against this, Austria imposed an embargo on Serbian imports, which was a severe blow to the commercial bourgeoisie and landlords in Serbia, who sold cattle to Austria. After a brief respite, the tariff war was resumed in the latter part of 1906, when Austria demanded the opening of the Serbian market for the sale of the manufactures of her armament industries.

NEW DATA FOR CHAPTER IV

ISSUES OF FOREIGN SECURITIES[1]

(Million gold dollars at pre-crisis parity)

Countries	1913	1920-28 (yearly averages)	1924-28	1929	1930	1931	1932	1933	1934	1935	1936
Gt. Britain	781	446	530	424	473	216	91	118	95	45	75
U.S.A.	44[2]	576	1152	671	905	229	29	10[7]	0	29[7]	14[7]
France[3]	684	86	60	140	303	338	160	182	78	90	—
Holland[4]	—	—	118[6]	45	102	16	9	4	0.04	—	—
Switzerland	—	4[5]	28	20	64	20	30	0.2	1.2	—	—

[1]Issues of foreign securities do not account for the entire export of capital. With the exception of France, the figures for which do not show whether conversions are included or not, the figures in the above table are given exclusive of conversions. Figures for Holland for 1913-24 and those for Switzerland for 1913-22 are not given here since they are not comparable with subsequent figures.

[2]1914.

[3]Our own computation. It includes long and short-term loans of foreign governments, colonial administrations, foreign and colonial companies and French companies operating abroad. Figures for the period from 1922 to 1928 and since 1932 do not include issues by foreign companies.

[4]Not including Dutch colonies. According to *l'Observation Economique*, for November, 1932, Dutch colonial issues were as follows (in million dollars): 1927, 11.9; 1928, 15.0; 1929, 2.3; 1930, 46.2; 1931, 41.7

[5]1923.

[6]1925-28.

[7]Issues in current dollars were as follows: 1933—$12,000,000; 1935—$48,000,000; 1936—$23,000,000.

SOURCES: For Great Britain, *The Economist*; for U.S.A., *Handbook of American Underwriting of Foreign Securities* and *Federal Reserve Bulletin*; for France, *Bulletin de la Statistique Generale de la France, Revue d'Economie Politique, Note du Ministere des Finances* (*Temps*, 2, III, 1932); for Holland, *Statistical Yearbook*, L. of N.; for Switzerland, *Statistisches Jahrbuch der Schweiz.*

FOREIGN INVESTMENTS

(Million dollars)

Countries	1913	1929-30
China	1,610	3,243
India	1,844[1]	3,445
Canada	2,114[1]	6,126
South America	4,006	6,780
Caribbean America	2,217	4,698

SOURCES: Figures for China—Remer, *Foreign Investments in China*, 1933, p. 76; India—1910 figures of British investments from the estimates of Sir George Paish; for 1930, from Financial Times, 9, I, 1930; figures of non-British investments for 1930 are based on the estimates of *The Statist* for 1931; Canada—1910 figures based on estimates of Sir George Paish; 1930 figures from *Canada Yearbook* 1933; figures for South and Caribbean America include only U.S. and British investments—M. Winkler, *Investments of U.S. Capital in Latin America*, 1929, pp. 284-85.

EXPORT OF BRITISH AND U.S. CAPITAL IN COLONIAL AND DEPENDENT COUNTRIES DURING THE PERIOD 1924 to 1931

(Million dollars)

	U.S.A.	Great Britain
South and Caribbean America ..	1,758.4	655.0
British Colonies & Dominions ..	1,885.3	3,474.4
Australasia	252.4	1,011.3
India	—	373.2
Canada & Newfoundland ..	1,632.9	349.2
Africa	—	603.2

SOURCES: For Great Britain—*Balances of Payments*, 1931-32, L. of N.; for U.S.A.—*ibid.*, also, *Handbook of American Underwriting of Foreign Securities*, 1931.

CAPITAL INVESTED ABROAD

(In billion francs of pre-war parity)

Year	By Great Britain	By France	By Germany	By U.S.A.
1862	3.6	—	—	—
1872	15	10 (1869)	—	—
1882	22	15 (1880)	?	—
1893	42	20 (1890)	?	—
1902	62	27-37	12.5	2.6 (1900)
1914	75-100	60	44.0	9.9 (1912)
1930	94	31-40	4.9-6.1	81.0
1935[1]	94[4]	40-49	—	70.5[3]
1935[2]	58[4]	—	—	41.9

[1] No allowance made for depreciation of pound and dollar.
[2] Allowance made for depreciation of pound and dollar.
[3] During the period of crisis United States foreign debtors (Germany and others) took advantage of the depreciation of the dollar to pay off part of their debts.
[4] 1934.

Considerable changes took place in capital exports from imperialist countries after the war. In order to finance the war Great Britain sold about 25 per cent. of her foreign investments (25,000,000,000 francs of pre-war parity), but after the war British capital exports again increased considerably, so that British foreign investments are now approximately equal to pre-war.

As a result of the World War France lost (according to Moulton, who estimated France's pre-war foreign investments at 45,000,000,000 francs) 23,000,000,000 francs and sold foreign securities amounting to about 3,500,000,000 francs. Basing himself on these figures, Moulton calculates French foreign investments in 1924 at 27,000,000,000 francs of pre-war parity. From 1924 to 1930 foreign issues in France amounted to about 4,000,000,000 pre-war francs. Thus, taking Moulton's figures as a basis, French foreign investments in 1930 may be roughly estimated at 31,000,000,000 pre-war francs. During the period 1931-35, foreign issues in France amounted to about 5,000,000,000 pre-war francs. If we calculate that of the total French capital which fled abroad 20,000,000,000 francs, *i.e.*, about 4,000,000,000 francs of pre-war parity represented long-terms investments, the amount of French foreign investments in 1935 may be approximately estimated at 40,000,000,000 pre-war francs. In so far as Moulton's estimate of French foreign investments before the war (45,000,000,000 francs) is very much lower than the figure quoted by Lenin (60,000,000,000 francs), the loss during the war estimated by Moulton at 23,000,000,000 francs should amount to 30,000,000,000 pre-war francs on the basis of the figures quoted by Lenin. Thus, in 1924 French foreign investments must have amounted, not to 27,000,000,000, but to 35,000,000,000 pre-war francs. The corresponding figures for 1930 would be 40,000,000,000 pre-war francs and for 1935 —49,000,000,000 pre-war francs.

Germany was transformed after the World War from a capital-exporting country into a capital-importing country. Her entire capital investments abroad amounted approximately to 5 billion marks in 1930. This is obviously an underestimation.

The foreign investments of the U.S.A. in post-war years assumed colossal proportions.

It must be noted that the figures for the post-war period have been taken from sources other than those from which Lenin took his. The reason for this is that the authors whom Lenin quoted did not continue their computations. However, although there is no direct continuity between Lenin's figures and the post-war figures, the latter, nevertheless, indicate the changes in the roles played by the different countries in the world capital market.

SOURCES: Pre-war figures quoted from Lenin; we have reduced those for 1930 and 1935 in francs of pre-war parity; for England, on the basis of the data in *Statistical Summary, Bank of England*, July 1933, p. 79, Dec. 1936, p. 155; for France —*The French Debt Problem*, by H. Moulton and C. Lewis, pp. 27, 45; for Germany—*Wirtschaft und Statistik*, No. 22, 1930, S. 893; for the U.S.A.—*A New Estimate of American Investments Abroad*, p. 24; *Balances of Payments*, L. of N., 1935, p. 17.

RENTIER STATES

Countries	National wealth (bill. marks)	Foreign investments (net) (bill. marks)	(% of national wealth)
Gt. Britain	450-455	80-85	18
U.S.A.	1,760-1,765	60-65	4
France	295-300	40-50	15
Holland ..	approx. 75	approx. 15	approx. 20
Switzerland	50-55	6-7	12
Belgium	45-50	5-6	12

The ratio of capital invested abroad to the national wealth of the respective countries as given in the table is undoubtedly underestimated, because the figures of the national wealth are exaggerated (they include value of land, etc.), while the figures of foreign investments understate the actual position.

SOURCE: *Die wirtschaftlichen Krafte der Welt*, published by Dresdner Bank, Berlin, 1930.

APPROXIMATE DISTRIBUTION OF FOREIGN CAPITAL

(In billions of marks)

	Gt. Brit.	Germany	U.S.A.	Gt. Brit.	Germany	U.S.A.
Continent	1910	1910	1912	1930	1930	1930
Europe	4	18	0.8	6	2.3-2.7	21
America	37	10	6.9	30	1.5-2.1	38
Asia, Africa and Australia	29	7	0.3	40	0.2	7
Total	70	35	8.0	76	4.0-5.0	66

The figures of the distribution of foreign investments by continents are quoted: for England, from the calculations of Sir Robert Kindersley; for the U.S.A., from the computations of the Department of Commerce. From the table it will be seen that U. S. investments abroad, which grew very rapidly after the war, flowed mainly to South America and Canada where Great Britain already had large investments before the war. This is characteristic of the growing acuteness of the imperialist struggle between the U.S.A. and Great Britain since the war.

SOURCES: The figures for 1910 are quoted from Lenin; for 1930 the figures are compiled as follows: for Great Britain, from *Statistical Summary, Bank of England*, July 1933, p. 79; for the U.S.A., from *A New Estimate of American Investments Abroad*, p. 24; *for Germany*, from *Wirtschaft und Statistik*, No. 22, 1930, S. 893.

EXPORT OF CAPITAL AS A MEANS OF INCREASING THE EXPORT OF COMMODITIES

The terms of seventeen of the railway loans granted to China between 1902 and 1928 contained special clauses providing for the purchase of railway materials from the country which furnished the loan. The lenders were British, French, Belgian, German and American capitalists. In twenty-one cases the terms of railway loans granted to China stipulated that the lenders were to act as agents in the purchasing of all materials required for the construction of the railways.

U.S. investments in ten South American countries increased

from 173 million dollars in 1913 to 2,294 *million dollars* in 1929. Of the total sum invested in these countries by Great Britain and the U.S.A., the latter's share was 4.3 *per cent in* 1913, *and* 33.8 *per cent in* 1929. Simultaneously the United States' share of the imports to South America increased from 16.1 per cent in 1913 to 31.5 per cent in 1929, *i.e.*, nearly doubled.

According to the German investigator, G. Tacke, in 1925-29 the U.S.A. invested in electrical companies in Argentina, Brazil and Chile a sum equal to 1,027,000,000 German marks. During the same period, the U.S.A. exported to the same countries electrical equipment and materials to the amount of 242,900,000 marks, or 24 per cent of the sum invested.

In the period 1928-31 France granted 4 loans to Rumania, 2 loans to Jugoslavia, 3 loans to Poland, 1 loan to Czechoslovakia, and 1 loan to Finland—a total of over 4,500,000,000 francs. During the same period France exported war materials and aeroplanes alone to the amount of 1,276,000,000 francs, primarily to the countries just enumerated.

In July 1923, the question of a loan to India was discussed in the British House of Commons. In the course of the debate the Under-Secretary of State for India stated that 95 per cent of the loans that had been granted to the Indian Administration up to that time had been expended in Great Britain on the purchase of British goods.

In the spring of 1931 the French consortium of the Banque des Pays du Nord and Schneider-Creusot undertook the financing as well as the construction of the Upper Silesia-Gdynia railroad in Poland.

In 1931 Poland received from the General Limited Trust in England a loan of 11,000,000 German marks for 12 years, for the construction of a telephone system. Poland on her part undertook during the first six years to purchase British materials to an amount equal to 6,000,000 German marks at contract prices.

SOURCES: G. Tacke, *Kapitalausfuhr und Warenausfuhr*, 1933, S. 76-77, 116-17, 170; M. Winkler, *Investments of U.S. Capital in Latin America*, 1929, p. 284; *The Magazine of Wall Street*, 9, VII, 1932; *Foreign Commerce Handbook*, 1933; Fies, *Europe—the World's Banker*, 1930, p. 94.

INCOME OF IMPERIALIST COUNTRIES FROM LONG-TERM INVESTMENTS ABROAD[1]

(Million gold dollars)

	1929
Great Britain (minimum)	1,219
U.S.A.	876
France	179
Japan	45

[1] Exclusive of war debts.

INTEREST AND DIVIDENDS ON FOREIGN INVESTMENTS PAID BY COLONIAL AND DEPENDENT COUNTRIES

(Million gold dollars)

	1928-29
Union of South Africa	77.4
Argentina	190.6
Canada	299.1
British India	125.6
Dutch East Indies	147.5
Australia	173.4
New Zealand	43.4

SOURCE: *Balances of Payments*, 1930, League of Nations, Geneva, 1932.

BANKS OF IMPERIALIST COUNTRIES IN THE COLONIES

In 1933 Great Britain had 46 colonial banks with 7,209 branches;[1] France had 31 with 542 branches, Holland 9 with 126 branches, and Germany only 4 with 38 branches.

[1] Following Lenin, we have included not only colonial banks proper, but all banks operating in dependent countries.

SOURCES: *The Economist*, Banking Supplement, 14, X, 1933, p. 24; *Banker's Almanac*, 1933-34.

CHAPTER V

THE DIVISION OF THE WORLD AMONG CAPITALIST COMBINES

THE monopoly combines of the capitalists—cartels, syndicates, trusts—divide among themselves first of all the domestic market of a country, and more or less completely seize control of the country's production. But under capitalism the home market is inevitably bound up with the foreign market. Capitalism long ago created a world market. In proportion as the export of capital increased, and as all the foreign and colonial relations, the "spheres of influence" of the biggest monopolist combines, expanded, things tended "naturally" towards an international agreement among them, and towards the formation of international cartels.

This is a new stage of world concentration of capital and production, incomparably higher than the preceding stages. Let us see how this super-monopoly grows.

The electrical industry is the most typical of the latest technical achievements of capitalism of the end of the nineteenth and beginning of the twentieth centuries. This industry has developed most in the two most advanced of the new capitalist countries, the United States and Germany. In Germany, the crisis of 1900 gave especially great impetus to its concentration. The banks, which by this time had become fairly well merged with industry, during this crisis hastened and accentuated to the greatest degree the ruin of relatively small firms and their absorption by the large ones.

> The banks—writes Jeidels—by withdrawing their helping hand from precisely those enterprises which need capital most, bring on first a frenzied boom and then irretrievable ruin for those companies which are not continuously in close alliance with them.*

As a result, after 1900, concentration in Germany went forward by leaps and bounds. Before 1900 there had been seven or eight "groups" in the electrical industry, each of

* Jeidels, *op. cit.*, 232.

which was formed of several companies (altogether there were twenty-eight) and was backed by from two to eleven banks. Between 1908 and 1912 all these groups were merged into two, or one. This process proceeded as follows:

GROUPS IN THE ELECTRICAL INDUSTRY

(Prior to 1910)

Felten & Gillaume | Lahmeyer | Union | A.E.G. | Siemens & Halske | Schuckert & Co. | Bergmann | Kummer Failed in 1900

Felten & Lahmeyer | A.E.G. | Siemens & Halske-Schuckert

(1912) A.E.G. | Siemens & Halske-Schuckert

(In close co-operation since 1908)

The famous A.E.G. (General Electric Company), which has grown in this way, controls between 175 and 200 companies (through the system of "participation"), and a total capital of about 1.5 *billion* marks. It has 34 direct representatives abroad, of which twelve are joint stock companies, in more than ten countries. As early as 1904, capital invested by the German electrical industry abroad, was estimated at 233 million marks, of which 62 millions were invested in Russia. Needless to say, the A.E.G. is a huge "combined" undertaking. Its manufacturing companies alone number sixteen; and they put out the most varied products, from cables and insulators to automobiles and airplanes.

But concentration in Europe was an integral part of the process of concentration in America, which developed in the following way:

GENERAL ELECTRIC CO.

United States: Thomson-Houston Co. (Established a firm for Europe) | Edison Co. French Edison Co. (Transferred its patents to a German firm)

Germany: Union Electric Co. | A.E.G.

A.E.G.

Thus *two* "great powers" in the electrical industry were formed. "There are no other great powers in the electrical

industry in the world *completely* independent of them," wrote Heinig in his article, "The Path of the Electric Trust." An idea, although far from complete, of the volume of business and the size of the enterprises of the two trusts can be obtained from the following figures:

		Merchandise Turnover (in mills. of marks)	Number of Employees	Net profits (in mills. of marks)
America: General Electric Co.	1907:	252	28,000	35.4
	1910:	298	32,000	45.6
Germany: A.E.G. ..	1907:	216	30,700	14.5
	1911:	362	60,800	21.7

In 1907 the German and American trusts concluded an agreement for partitioning the world. Competition ceased. The General Electric "gets" the United States and Canada; the A.E.G. "gets" Germany, Austria, Russia, Holland, Denmark, Switzerland, Turkey and the Balkans. Special agreements—naturally, secret—were concluded regarding the penetration of "subsidiary companies" into new branches of industry and "new" countries not yet formally allotted. The two trusts are to exchange inventions and experiments.*

It is easy to understand how difficult competition against this virtually united trust has become, which is world-wide, controls a capital of several billions, and has its "branches," agencies, representatives, connections, *etc.*, in every corner of the globe. But the partition of the world between two powerful trusts of course does not preclude a *re-partition* if the balance of forces changes as a result of uneven development, war, bankruptcies, *etc.*

The oil industry provides an instructive example of an attempt at such a re-partition, a struggle for re-partition.

> The world oil market—wrote Jeidels in 1905—is still essentially divided up between two great financial groups: Rockefeller's Standard Oil Co. in America and Rothschild and Nobel, the owners of the Russian oilfields in Baku. The two groups are in close alliance. But for several

* Kurt Heinig, *"Der Weg des Elektrotrusts"* in *Die Neue Zeit*, 30th Year, II, p. 474*ff.*; *cf.* also Riesser and Diouritch.

years, five enemies have been threatening their monopoly position....†

1. The exhaustion of the American oil wells;‡ 2. the competition of the firm of Mantashev in Baku; 3. the Austrian oil wells; 4. the Rumanian oil wells; 5. the transoceanic oil wells, particularly in the Dutch colonies (the very rich firms, Samuel and Shell are also allied with British capital). The three last groups of enterprises are connected with the great German banks, principally the *Deutsche Bank*. These banks independently and systematically developed the oil industry, for instance in Rumania, in order to have a base of "their own." In 1907, 185 million francs of foreign capital were invested in the Rumanian oil industry, of which 74 millions came from Germany.*

A struggle began which in economic literature is fittingly called the struggle for the "division of the world." On one side, Rockefeller's Oil Trust, wishing to get hold of *everything*, formed a subsidiary company in Holland *itself*, and bought up oil wells in the Dutch East Indies, in order to strike at its principal enemy, the Anglo-Dutch Shell trust. On the other side, the *Deutsche Bank* and other German banks aimed at "securing" Rumania "for themselves" and uniting it with Russia against Rockefeller. The latter had far more capital and an excellent system of oil transportation and distribution. The struggle had to end, and did in 1907, with the utter defeat of the *Deutsche Bank*, which was forced to choose between two alternatives: either to liquidate its "oil interests" and lose millions, or to submit. It chose to submit, and concluded an agreement, very disadvantageous to it, with the Oil Trust. The *Deutsche Bank* agreed "not to undertake anything which might injure American interests." Provision was made, however, for the annulment of the agreement in the event of Germany's establishing a state oil monopoly.

Then the "comedy of oil" began. One of the German kings of finance, von Gwinner, a director of the *Deutsche Bank*, began, through his private secretary, Stauss, a campaign *for* an oil monopoly. The whole gigantic machine of the biggest Berlin bank and all its wide "connections" were set in motion. The

† Jeidels, *op. cit.*, pp. 192-193.

‡ In Pennsylvania, chief oil region in U. S. at time of Jeidels' study.—*Ed.*

* Diouritch, *op. cit.*, p. 275.

press bubbled over with "patriotic" indignation against the "yoke" of the American trust, and, on March 15, 1911, the Reichstag, by an almost unanimous vote, adopted a resolution asking the government to prepare a bill for the establishment of an oil monopoly. The government seized upon this "popular" idea and the game of the *Deutsche Bank*, which hoped to deceive its American partner and improve its own business by a state monopoly, appeared to have been won. Already the German oil magnates saw visions of wonderful profits, which would not be less than those of the great Russian sugar refiners....But first the great German banks quarelled among themselves over the division of the spoils, and the *Disconto-Gesellschaft* exposed the selfish interests of the *Deutsche Bank;* second, the government took fright at the idea of a struggle with Rockefeller, for the Rumanian supply is not very large and it was very doubtful whether Germany could obtain oil without Rockefeller. Third, in 1913 a billion marks were required for Germany's war preparations. The project of the oil monopoly was laid aside. Rockefeller's Oil Trust for the time being came out of the struggle victorious.

The Berlin journal, *Die Bank,* said in this connection that Germany could fight the oil trust only by establishing an electricity monopoly and by converting water power into cheap electricity.

> But—it added—the power monopoly will come when the *producers* need it, that is, when the next great crash in the electrical industry is at the door, and and when the powerful, expensive power stations which are now being put up everywhere by private electrical concerns, which obtain partial monopolies from the state, towns, and other bodies, can no longer work at a profit. Water power will then have to be used. But this cannot be converted into cheap electricity at state expense; it will have to be handed over to "a private monopoly controlled by the state," because the enormous indemnities and awards which would have to be paid to private industry for its expensive steam power plants would be too great a burden on the overhead of a power monopoly operated by the Reich and using water power. So it was with the potash monopoly; so it is with the oil monopoly; so it will be with the power monopoly. It is time our state-Socialists, who allow themselves to be blinded by beautiful principles, understood once and for all that in Germany the monopolies have never pursued the aim, nor have they had the result, of benefiting the consumer, nor of handing over to the state part of the profits; they have always

served merely to revive, with the help of the state, bankrupt private industries.*

Such are the valuable admissions which the German bourgeois economists are forced to make. We see plainly here how private monopolies and state monopolies are bound up together in the age of finance capital; how both are really only individual links in the imperialist struggle between the biggest monopolists for the division of the world.

In mercantile shipping, the tremendous growth of concentration also led to a division of the world. In Germany, two powerful companies have become conspicuous, the Hamburg-American and the North German Lloyd, each with a capital of 200 million marks in stocks and bonds, and possessing 185 to 189 million marks' worth of shipping tonnage. On the other side, in America, on January 1, 1903, the so-called Morgan trust—the International Mercantile Marine—was formed which united nine British and American steamship companies and which controlled a capital of $120,000,000. As early as 1903, the German giants and the Anglo-American trust concluded an agreement and partitioned the world in accordance with the division of profits. The German companies undertook not to compete in traffic between England and America. Careful provision was made as to which ports were to be allotted to each; a joint committee of control was set up, *etc.* This contract was concluded for twenty years, with a prudent provision for its annulment in the event of war.†

Extremely instructive also is the story of the formation of the International Rail Cartel. The first attempt of the British, Belgian and German rail manufacturers to create such a cartel was made in 1884, at a time of very severe industrial depression. They agreed not to compete with one another in the domestic markets of the countries party to the agreement, and they divided the foreign markets according to the following quotas: Great Britain, 66 per cent; Germany, 27 per cent; Belgium, 7 per cent. India was reserved entirely for Great Britain. Joint war was waged against a British firm which remained outside the agreement. The cost of this war was met by a proportionate levy on all sales. But in 1886 the cartel collapsed when two British firms withdrew from it. It

Die Bank, 1912, II, p. 1036; *cf. ibid.*, p. 629.

†Riesser, *op. cit.*, pp. 114, 116.

is a characteristic fact that no agreement could be reached in the periods of industrial prosperity which followed.

At the beginning of 1904, the German steel syndicate was formed. In November, 1904, the International Rail Cartel was renewed, with the following quotas: England, 53.5 per cent; Germany, 28.83 per cent; Belgium, 17.67 per cent. France came in later with 4.8 per cent, 5.8 per cent, and 6.4 per cent in the first, second and third years respectively, in excess of the 100 per cent limit, *i.e.*, figuring on a total of 104.8 per cent, etc. In 1905, the "Steel Trust," the United States Steel Corporation, entered the cartel; then Austria; then Spain.†

For the moment—wrote Vogelstein in 1910—the division of the world is completed, and the big consumers, primarily the state railways—since the world is divided up without their interests having been considered—must live like the poet in Zeus' heaven.‡

We will mention also the International Zinc Syndicate, established in 1909, which carefully distributed output among three groups of German, Belgian, French, Spanish and British factories. Then there is the International Powder Trust, of which Liefmann says that it is "quite a modern, close alliance of all (the German) explosives manufacturers, who have divided up the whole world, so to speak, with the French and American explosives manufacturers, who are organised in a similar manner."*

Liefmann in 1897 counted altogether about forty international cartels in which Germany had a share, while by 1910 there were about a hundred.

Certain bourgeois writers (with whom Kautsky, who has completely betrayed the Marxist position he held, for example, in 1909, is now associated) expressed the opinion that international cartels are one of the most striking expressions of the internationalisation of capital and therefore offer a possible hope of peace among nations under capitalism. In theory this opinion is aboslutely absurd, while in practice it is a sophism and a dishonest defence of the worst opportunism. International cartels show to what point capitalist monopolies have now grown up and the *wherefore* of the struggle between the capitalist groups. This last circumstance is the most important;

† Vogelstein, *Organisationsformen*, pp. 99-100.—*Ed.*
‡ *Ibid.*, p. 100.
* Liefmann, *Kartelle und Trusts*, p. 161.

it alone explains to us the historical-economic significance of events; for the *forms* of the struggle may and do change in accordance with various, relatively individual, and transitory causes, but the *essence* of the struggle, its class *content*, simply *cannot* change while classes exist. It is easy to understand, for example, that it is in the interests of the German bourgeoisie, whose theoretical arguments have now been adopted in the essential points by Kautsky (we shall deal with this below), to obscure the *content* of the contemporary economic struggle (the division of the world) and to emphasise one or another *form* of the struggle. Kautsky makes the same mistake. Of course, we have in mind not only the German bourgeoisie, but the bourgeoisie throughout the whole world. The capitalists partition the world, not out of personal malice, but because the degree of concentration which has been reached forces them to adopt this method in order to get profits. And they partition it "in proportion to capital," "in proportion to strength," for there cannot be any other method of division under the system of commodity production and capitalism. But strength varies with the degree of economic and political development. In order to understand what takes place, it is necessary to know what questions are settled by changes in strength. The question as to whether these changes are "purely" economic or *non*-economic (*e.g.*, military), is a secondary one which cannot in the least affect the fundamental view on the latest epoch of capitalism. To substitute for the question of the *content* of the struggle and agreements between capitalist combines, the question of the *form* of the struggle and the agreements (today peaceful, tomorrow not peaceful, the next day again not peaceful), is to descend to sophistry.

The epoch of the newest capitalism shows us that certain relations are being established between capitalist combines, *based* on the economic division of the world; while parallel with this and in connection with it, certain relations are being established between political alliances, between states, on the basis of the territorial division of the world, of the struggle for colonies, of the "struggle for economic territory."

NEW DATA FOR CHAPTER V

MONOPOLIES IN THE ELECTRICAL INDUSTRY IN GERMANY

The relation of forces between AEG and Siemens has changed in the post-war period. At the present time Siemens plays the predominant role in the electrical industry, as can be seen from the following main indices: In 1929 AEG owned a share capital of 199 million marks; it had a gross turnover of 580 million marks and employed 60,000 workers. The corresponding figures for Siemens are: 227 million marks share capital, 800 million marks gross turnover and 137,000 workers employed. In addition, by means of its holdings Siemens controls a larger capital than AEG.

AEG controlled:

in 1912, 175 to 200 companies;
in 1930, 280 to 290 companies,
including 50 companies controlled jointly with Siemens.

The capital of the controlled companies amounted to:

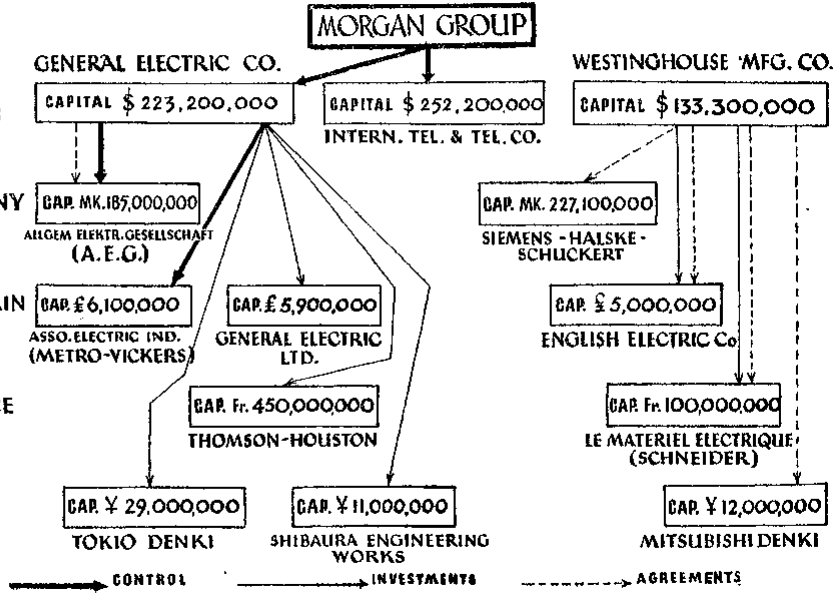
in 1912, approximately 1.50 billion marks;
in 1930, approximately 1.62 billion marks,
including 165 million marks controlled jointly with Siemens.

AEG investments abroad:

in 1904, 233 million marks;
in 1930, 280 million marks.

The present influence of United States electrical monopolies can be seen from the following chart: (p. 161.)

INTERNATIONAL CONNECTIONS OF ELECTRICAL MONOPOLIES



	Year	Turnover (mill. marks)	No. of employees	Net profits (mill. marks)
America: General Electric Co.	1907	252	28,000	35.4
	1910	298	32,000	45.6
	1929	1,744	78,000[1]	282.6
Germany: A.E.G.	1907	216	30,700	14.5
	1911	362	60,800	21.7
	1929	580	60,000	19.2

The change in the relation of forces between the various monopolist groups brought about by the war and post-war development resulted in a *redivision* of the world market for electrical equipment. The role and importance of the American monopoly, the General Electric Co., has increased enormously. In 1922 the GE and the AEG concluded a 20-year agreement which to a certain degree restored the pre-war relationship between the two firms. The agreement provided for the exchange of patents and the division of the world market whereby GE "obtained" the markets of the U.S.A., Central America, and partly, Canada, while the Central and East European markets were allocated to the German trust. Unlike the position in pre-war times, however, the AEG ceased to be an equal participant in this agreement. As far back as 1920 the General Electric Co. acquired 25 per cent of the newly issued stock of the AEG. This connection was greatly strengthened in 1929, when the American trust took over 30 per cent of all the shares of the German monopoly.

Of the other international monopolist agreements concluded in the sphere of electrical engineering, the ten-year agreement concluded between the second largest American electrical engineering firm, Westinghouse, and the German group of Siemens-Schuckert should be noted. This agreement provides for the division of the world market for electrical equipment.

The international electric bulb cartel (Gluhlampenkartell Phonix) embraces the whole of the electric bulb industry of Germany, France, Great Britain, Holland, the United States,

[1] 1927.

the Scandinavian countries, Italy, Austria, Hungary and Czechoslovakia. This cartel, which combines over 90 per cent of the world output of electric bulbs, is one of the largest post-war international monopolies.

SOURCES: *Grunbuch der Aktiengesellschaften*, 1931; *Spezialarchiv der deutschen Wirtschaft; Der AEG Konzern, Der Siemens Konzern; Moody's Industrials*, 1935.

THE STRUGGLE FOR OIL MARKETS

At the present time, the world oil market is, in the main, divided among three groups: Standard Oil, Royal Dutch-Shell, and Anglo-Persian-Burma Oil.

The last two groups are very closely connected. For a long time, the raw material base of the Standard Oil was concentrated in the United States. After the war, however, the Standard Oil gradually bought up Mexican and Central and South American oil fields. The Standard Oil group is also striving to penetrate into countries "belonging" to Shell and Anglo-Persian by buying up shares in the Dutch-British group. A particularly fierce struggle is going on in the Far-Eastern markets, where the Standard Oil, after the merger of the Standard Oil Co. of New York with the Vacuum Oil Co., has gained a very solid position, but the Royal Dutch-Shell is fighting hard to strengthen its position in the regions in which the Standard Oil Co. is operating.

The Standard Oil group dominates the oil industry in the United States, where it controls about 60 per cent of all prospected oil-bearing territories, 25-30 per cent of the output of crude oil, 45-50 per cent of the refining, 60 per cent of the transportation and of the entire tanker fleet and 70 per cent of the entire foreign trade. Standard Oil has penetrated into Venezuela and has there reduced the share of Shell output to 50 per cent. It also controls 50 per cent of the Mexican oil output, almost the entire output of Colombia, Canada, Peru, a considerable share of the Argentine and Bolivian output, and 12 per cent of the Rumanian output. According to the figures for 1926 (precise data of more recent date are not available), this American oil trust controls 26 per cent of the world's output. Its chief competitor is the Anglo-Dutch concern, the Royal Dutch-Shell, of which Sir Henry Deterding is the head, which controls 12 per cent of the world oil output

(together with the Anglo-Persian Co. and the Burma Oil Co. which is connected with the Royal Dutch-Shell, it controls 16 per cent). It occupies a predominant place in the oil output of the Dutch East Indies, India, Egypt, Rumania, and also controls a considerable share of the output of Mexico, Venezuela, Argentina, Iraq and a small part (5 to 6 per cent) of the American output.

A sharp struggle is also going on for the Persian oil fields. The Anglo-Persian oil concession (in which the British government is interested) was annulled by the Persian government, undoubtedly under the influence of agents in the pay of Standard Oil, and was subsequently renewed only after protracted negotiations.

Another struggle is going on for the Mossul oil wells in Iraq. After a prolonged struggle control over the Iraq Petroleum Co., which up to the end of 1936 was in the hands of Italian, German, French and other capitalists with a small holding by the Shell group, passed into the hands of the latter as a result of the purchase of the control block of shares from the Italian semi-state concern AGIP.

SOURCES: Ludwell Denny, *The Struggle for Oil*, 1934; *Petroleum*, 1930-34; *Petrol Times*, 15, VIII, 1936; *World Petroleum*, 1936.

MONOPOLIES IN THE SHIPPING TRADE

After the war, the German steamship companies, mentioned by Lenin, lost the greater part of their tonnage as a result of the Versailles Treaty. Subsequently, their tonnage began to grow again as a result of the purchase of ships from other companies and the building of new tonnage. By the end of 1931 their tonnage almost reached that of 1913. This is shown in the following table.

	1913	1920	1931	1935
	(1,000 register tons)			
Hamburg-Amerika Line ..	1,360	397	1,087	744
Norddeutscher Lloyd ..	983	57	955	607

The changes in the capital of these companies revealed in the following table were caused in 1924 by the revaluation of assets that followed inflation, and in 1931 and 1935 by depreciation resulting from the crisis.

	1913	1924	1926	1930	1931	1935
			(million marks)			
Hamburg-Amerika						
Stocks .	180.0	55.1	131.4	161.4	54.5	46.4
Bonds ..	69.5	—	29.6	43.5	20.2	16.6
Norddeutscher Lloyd						
Stocks ..	125.0	33.0	125.0	165.0	54.4	46.7
Bonds ..	65.6	4.0	23.2	81.6	78.1	38.2

The Hamburg-Amerika Line controls 10 subsidiary steamship companies and has an interest in 12 others. The Norddeutscher Lloyd controls 10 subsidiary steamship companies. In 1930, the Hamburg-Amerika Line and the Norddeutscher Lloyd entered into a close union by concluding a fifty-year agreement, and are now operating as parts of a single group, under the name of Hapag-Lloyd.[1]

The International Mercantile Marine Co., the Morgan trust, mentioned by Lenin, has lost its pre-war monopoly position. In 1931 this trust combined six companies owning 57 ships with an aggregate tonnage of 493,000 gross tons. It is now merged with the more powerful steamship company, the American International Corporation, which controls a tonnage of 1,200,000 gross tons, of which 500,000 tons sail under the British flag.

The division of the world between German and Anglo-American groups, noted by Lenin, was brought about in the post-war period by the North Atlantic Conference, an international combine of sixteen of the biggest international companies, in which the Hapag-Lloyd, the British Cunard-White Star Line and Royal Mail and the United States Lines participated. These were joined by the French Compagnie Generale Transatlantique and by other steamship companies.

The number of international agreements in the shipping trade now exceeds fifty. In 1929 these agreements covered over 50 per cent of the passenger traffic and 80 per cent of the freight traffic.

The biggest international shipping monopoly today is the Baltic and International Maritime Conference. In June 1930,

[1] In the beginning of 1935 the Hapag-Lloyd union was officially dissolved although the cartel agreement between the two companies, which continued under the joint control of the Deutsche Bank—Disconto-Gesellschaft, remained in force.

it represented a combination of 650 steamship companies, with 3,532 steamships and an aggregate tonnage of 9.88 million gross tons, i.e., approximately 15 per cent of the world's tonnage.

SOURCES: *Grunbuch der Aktiengesellschaften*, 1933; *Stock Exchange Yearbook*, 1934; *Der Aktienfuhrer*, 1936-37.

THE INTERNATIONAL RAIL CARTEL

This refers to the International Railmakers' Association, known as IRMA. This cartel broke up in 1914, but was reorganised in 1926. The export quotas follow (per cent):

	1904	1929
Great Britain	53.5	24.75
United States	—	18.50
Germany	28.83	19.55
France	4.8 to 6.4	17.60
Belgium	17.67	14.35
Luxemburg	—	4.95
Central European group	—	4.30

This table illustrates the changed relation of forces of the industry in the various countries, resulting from the increasing unevenness of their development.

The main object of the cartel is to divide the foreign markets among its members and to fix export prices; it does not undertake to regulate production. Unlike the European steel cartel, which collapsed during the crisis and was restored only in April 1933, IRMA has managed to hold on continuously to this day.

SOURCES: 1904 figures are quoted from Lenin; figures for 1926 are taken from *Kartellrundschau*.

THE INTERNATIONAL ZINC SYNDICATE

This syndicate was formed in 1909. It collapsed during the war, but was reorganised in 1928. It comprised German, Polish, Belgian, French, British, Spanish, Italian and Norwegian zinc firms, controlling in the aggregate approximately 95 per cent of the European and 50 per cent of the world zinc

output. The agreement, which was concluded for a period of six months, provided for a reduction of output in the event of prices dropping below a specified level. In December 1928 Canada and Australia joined the syndicate, and the biggest United States monopolists declared that they would co-operate. The object of this syndicate was to restrict production and raise prices. Immediately on the outbreak of the crisis sharp disagreements arose among the members of the syndicate and on January 1, 1930, the agreement was dissolved. The syndicate was reorganised in 1931, but on a narrower basis, *i.e.*, without the participation of the transatlantic producers. The agreement, renewed in 1933, provided for the restriction of production by 45 per cent of the pre-crisis level. The syndicate has not functioned since the end of 1934.

SOURCES: C. Lammers, *Internationale Industriekartelle*, 1932; E. Ertel, *Internationale Kartelle und Konzerne der Industrie*, 1930; *Frankfurter Zeitung*; *Bergwerkszeitung*; *Kartellrundschau*.

THE INTERNATIONAL DYNAMITE TRUST

The International Dynamite Trust, mentioned by Lenin, existed up to the World War. It was revived in 1925 in the form of an agreement between the big explosives manufacturers—the Nobel group of Great Britain, duPont de Nemours of the United States, and the Dynamit Fabrik A. G. of Germany (formerly Nobel in Hamburg, and Koln Rottweil in Berlin). The last two concerns merged with the German I. G. Farbenindustrie. The agreement provides for *technical collaboration*, particularly for the exchange of patents and improvements. The contracting groups also exchanged shares in their respective companies.

SOURCE: Fox, *Imperial Chemical Industries*, London, 1934.

TOTAL NUMBER OF INTERNATIONAL CARTELS

1897	1910	1931
40	100	320

NUMBER OF INTERNATIONAL CARTELS IN DIFFERENT INDUSTRIES (1931)

Mining	12	Textiles	27
Ferrous metals	50	Food	11
Non-ferrous metals	10	Other industries	30
Building materials	25	Transport and communications	80
Wood and paper	15	Insurance	10
Chemicals	51		

During the crisis many international monopolies (the European Steel Cartel, the International Copper Syndicate, the Zinc Syndicate, etc.) collapsed. Nevertheless, strenuous efforts have been made, particularly of late, to revive the old cartels and to form a number of new ones. The European Steel Export Cartel, which collapsed during the crisis, was reorganised in 1933-34. An international agreement has been concluded among the rubber producers, an agreement has been concluded between the synthetic nitrogen producers and the Chile nitrate producers, etc. In 1935 Great Britain joined the European Steel Cartel.

SOURCES: The figures for 1897 and 1910 are quoted from Lenin. The 1897 figure includes only those cartels in which Germany participated. The figures for 1931 are based on the estimate of Wagenfuhr, "Statistik der Kartelle," *Allg. Statistisches Archiv*, 1932, Bd. 22, H. II, S. 252.

CHAPTER VI

THE DIVISION OF THE WORLD AMONG THE GREAT POWERS

In his book, *The Territorial Development of European Colonies*, A. Supan,* the geographer, gives the following brief summary of this development at the end of the nineteenth century:

Percentage of Area Belonging to the European Colonial Powers

(Including the United States).

	1876	1900	Increase
In Africa	10.8	90.4	79.6
In Polynesia	56.8	98.9	42.1
In Asia	51.5	56.6	5.1
In Australia	100.0	100.0	——
In America	27.5	27.2	*minus* 0.3

"The characteristic feature of this period," he concludes, "is, therefore, the division of Africa and Polynesia,". As there are no unoccupied territories—that is, territories not belonging to any state—in Asia and America, Supan's conclusion must be carried further and we must say that the characteristic feature of this period is the final partition of the earth, final not in the sense that a *re-partition* would be impossible—on the contrary, re-partitions are possible and inevitable—but in the sense that the colonial policy of the capitalist countries *has completed* the seizure of unoccupied land on our planet. For the first time, the world is now divided up, so that in the future *only re-divisions* are possible; i.e., a transfer from one "owner" to another, and not of unowned territory to an "owner."

* A. Supan, *Die territoriale Entwicklung der europaischen Kolonien*, 1906, p. 254.

We are therefore passing through a peculiar period of world colonial policy, which is very closely associated with the "latest stage in the development of capitalism," with finance capital. For this reason it is necessary to deal more in detail with the facts, in order to ascertain exactly what distinguishes this period from those preceding it, as well as the present situation. In the first place, two questions of fact arise here. Is an intensification of colonial policy, an intensification of the struggle for colonies, to be observed precisely in this period of finance capital? And just how, in this respect, is the world divided up at the present time?

The American writer, Morris, in his book *The History of Colonisation* has made an attempt to compile data on the extent of the colonial possessions of Britain, France and Germany during different periods of the nineteenth century. The following is a brief summary of the results he has obtained.*

EXTENT OF COLONIAL POSSESSIONS

	England		France		Germany	
	Area (in millions of sq. miles)	Population (in millions)	Area (in millions of sq. miles)	Population (in millions)	Area (in millions of sq. miles)	Population (in millions)
1815-1830	?	126.4	0.02	0.5	—	—
1860	2.5	145.1	0.2	3.4	—	—
1880	7.7	267.9	0.7	7.5	—	—
1899	11.6	345.2	3.7	56.4	1.0	14.7

For Britain, the period of vast increase in colonial conquests falls between 1860 and 1880; and the last twenty years of the nineteenth century are also of great importance. For France and Germany it falls precisely during those last twenty years. We saw above that the apex of pre-monopoly capitalist development, of capitalism in which free competition was predominant, was reached in the period between 1860 and 1880. We now see that it is *precisely after that period* that the tremendous "boom" in colonial annexations begins, and that the struggle for a territorial division of the world becomes extra-

*Henry C. Morris, *The History of Colonisation*, New York, 1900, I, p. 419 II, pp. 84-87, 304.

ordinarily keen. It is beyond doubt, therefore, that the transition of capitalism to the stage of monopoly capitalism, to finance capital, is *connected* with the intensification of the struggle for the partition of the world.

Hobson, in his work on imperialism, marks the years 1884-1900 as being the period of intensified "expansion" of the chief European states. According to his estimate, England during these years acquired 3.7 million square miles of territory with a population of 57 million; France acquired 3.6 million square miles with a population of 36.5 million; Germany one million square miles with 16.7 million inhabitants; Belgium 900,000 square miles with 30 million inhabitants; Portugal 800,000 square miles with 9 million inhabitants. The quest for colonies by all the capitalist states at the end of the nineteenth century, and particularly since the 1880's, is a well-known fact in the history of diplomacy and of foreign policy.

Between 1840 and 1860, when free competition in England was at its height the leading bourgeois politicians were *opposed* to the colonial policy, and were of the opinion that the liberation of the colonies and their complete separation from England was an inevitable and desirable thing. M. Beer in an article on modern British imperialism,* published in 1898, shows that in 1852, Disraeli, a statesman generally inclined towards imperialism, declared: "The colonies are millstones round our necks." But by the end of the nineteenth century, the heroes of the hour were Cecil Rhodes and Joseph Chamberlain, the open advocates of imperialism and the most cynical exponents of imperialist policy!

It is not without interest to observe that already at that time the leading British bourgeois politicians fully appreciated the connection between what might be called the purely economic and the social-political roots of modern imperialism. Chamberlain preached imperialism as the "true, wise and economical policy," and he pointed particularly to the German, American and Belgian competition which Great Britain to-day encounters on the world market. Salvation lies in monopolies, said the capitalists, as they formed cartels, syndicates and trusts. Salvation lies in monopolies, echoed the political leaders of the bourgeoisie, hastening to seize the parts of the world not yet partitioned.

Cecil Rhodes, according to the story told by his intimate

* *Die Neue Zeit*, 16th Year, I, p. 302.

friend, the journalist Stead, spoke to him in 1895 about his imperialist ideas as follows:

I was in the East End of London (workers' section) yesterday and attended a meeting of unemployed. I listened to the wild speeches, which were just a cry for "bread," "bread," "bread" and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism.....My cherished idea is a solution for the social problem, *i.e.*, in order to save the 40 million inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands for settling the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a question of the stomach. If you do not want civil war, you must become imperialists.†

Thus, in 1895, spoke Cecil Rhodes, millionaire, financial king, the man who was mainly responsible for the Boer War. But his defence of imperialism is only crude and cynical, and in substance does not differ from the "theory" of Messrs. Maslov, Suedekum, Potresov, David, of the founder of Russian Marxism * and others. Cecil Rhodes was a somewhat more honest social-chauvinist.....

To tabulate as exactly as possible the territorial division of the world, and the changes which have occurred during the last decades, we will take the data furnished by Supan in the work already quoted on the colonial possessions of all the world powers. Supan takes the years 1876 and 1900; we shall take the year 1876—a date happily chosen, for it is precisely at that time that the pre-monopolist stage of development of western European capitalism can be said to have been completed in the main, and we shall take the year 1914, substituting for Supan's figures the more recent statistics of Hubner's "Geographical and Statistical Tables."

Supan takes only colonies; we think it useful, in order to present a full picture of the division of the world, to add brief figures on non-colonial and semi-colonial countries, such as Persia, China and Turkey. The first of these is already almost completely a colony; the second and third are becoming colonies. We get the following summary:

† *Ibid.*, p. 304.

* The reference is to Plekhanov.—*Ed.*

COLONIAL POSSESSIONS OF THE GREAT POWERS

(*In millions of square kilometres and millions of inhabitants*)

	Colonies				Home-countries		Totals	
	1876		1914		1914		1914	
	Area	Pop.	Area.	Pop.	Area	Pop.	Area	Pop.
England	22.5	251.9	33.5	393.5	0.3	46.5	33.8	440.0
Russia	17.0	15.9	17.0	33.2	5.4	136.2	22.4	169.4
France	0.9	6.0	10.6	55.5	0.5	39.6	11.1	95.1
Germany	..		2.9	12.3	0.5	64.9	3.4	77.2
United States	..		0.3	9.7	9.4	97.0	9.7	106.7
Japan	..		0.3	19.2	0.4	53.0	0.7	72.2
Total of the 6 great powers	40.4	273.8	64.6	523.4	16.5	437.2	81.1	960.6
Colonies of the other Powers (Belgium, Holland, *etc*)							9.9	45.3
Semi-colonial countries (Persia, China, Turkey)							14.5	361.0
Remaining countries							28.0	289.2
The whole world							133.5	1,656.1

We see clearly from these figures how "complete" was the partition of the world at the turn of the century. After 1876 colonial possessions were extended to an enormous degree, growing from 40 to 65 million square kilometres, or to more than one and a half times, for the six biggest powers; an increase of 25 million square kilometres, an area one and a half times as great as that of the "mother" countries (16.5 million).

In 1876 three powers had no colonies whatever, and a fourth, France, had hardly any. By 1914, these four powers had acquired 14.1 million square kilometres of colonies, or an area about one and a half times greater than that of Europe, with a population of nearly 100 million. The unevenness in the rate of expansion of colonial possessions is very marked. Comparing, for instance, France, Germany, and Japan, which do not differ very much in area and population, it will be seen that the first of these countries acquired almost three times as much colonial territory as the other two combined. But in regard to finance capital, also, France was, at the beginning of the period we are considering, perhaps several times richer than Germany and Japan together. Besides, and on the basis of,

purely economic conditions, geographical conditions and other factors also affect the extent of colonial possessions. However strong the process of levelling the world, of levelling the economic and living conditions in different countries may have been in the last decades as a result of the pressure of heavy industry, exchange and finance capital, great differences still remain even between the six great powers. We see on the one hand young capitalist countries (America, Germany, Japan) progressing with unusual rapidity, while on the other hand countries with an old capitalist development (France and Britain) have made much slower headway of late than the others; and there is Russia, the most backward country economically, in which modern capitalist imperialism is enmeshed, so to speak, in a particularly thick web of pre-capitalist relations.

Alongside the colonial possessions of the great powers, we have placed the small colonies of the small states, which are, so to speak, the nearest objects of a possible and probable new colonial "redistribution." For the most part these small states retain their colonies only because of conflicting interests, friction, *etc.*, among the great powers, which prevent them from coming to an agreement in regard to the division of the spoils. The "semi-colonial" states provide an example of those transitional forms which are to be found in all domains of nature and society. Finance capital is such a great, it may be said, such a decisive force in all economic and international relations, that it is capable of subordinating to itself, and actually does subordinate to itself, even states enjoying complete political independence. We shall shortly see examples of this. But, naturally, finance capital finds it most "convenient," and is able to extract the greatst profit from *such* a subordination as involves the loss of the political independence of the subjected countries and peoples. In this connection the semi-colonial countries are typical of the "middle stage." It stands to reason that the struggle for these semi-dependent countries should have become particularly bitter during the period of finance capital, when the rest of the world had already been divided up.

Colonial politics and imperialism existed even before the latest stage of capitalism, and even before capitalism. Rome, founded on slavery, carried out a colonial policy and was imperialistic. But "general" arguments about imperialism, which ignore, or put into the background the fundamental difference of social-economic formations, inevitably degenerate

into empty banalities, or phrases such as the comparison of "greater Rome and greater Britain." * Even the colonial policy of capitalism in its *previous* stages is essentially different from the colonial policy of finance capital.

The basic feature of the newest capitalism is the domination of monopolist combines of the biggest entrepreneurs. These monopolies are most durable when *all* the sources of raw materials are controlled by the one group. And we have seen with what zeal the international capitalist combines exert every effort to make it impossible for their rivals to compete with them : for example, by buying up mineral lands, oil fields, *etc.* Colonial possession alone gives a complete guarantee of success to the monopolies against all the risks of the struggle against competitors, including the possibility of the adversary's desire to defend himself by means of a law establishing a state monopoly. The more capitalism develops, the more the need for raw materials is felt ; the more bitter competition becomes and the more feverish the hunt for sources of raw materials throughout the world, the more desperate the struggle for the acquisition of colonies becomes.

Schilder writes:

It may even be asserted, although it may sound paradoxical to many, that in the more or less near future the growth of the urban industrial population is more likely to be hindered by a shortage of raw materials of industry than by any shortage of food.

For example, there is a growing shortage of timber, the price of which is steadily rising, as well as of leather, and the raw materials for the textile industry.

Associations of manufacturers are trying to establish equilibrium between industry and agriculture on a world scale ; note, for instance, the International Federation of Cotton Spinners' Associations, founded in 1904, in the most important industrial countries, and the European Federation of Flax Spinners' Association, founded on the same model in 1910.†

The bourgeois reformists, and among them particularly the present-day Kautskyists, of course, try to belittle the import-

* C. P. Lucas, *Greater Rome and Greater Britain*, Oxford, 1912, or Earl of Cromer, *Ancient and Modern Imperialism*, London, 1910.

†Schilder, *op. cit.*, pp. 38, 42.

ance of facts of this kind by arguing that it "would be possible" to obtain raw materials in the open market without a "costly and dangerous" colonial policy; and that it would be "possible" greatly to increase the supply of raw materials "simply" by improving agricultural conditions in general. But such arguments degenerate into an apology for imperialism, into beautifying it, for they are based on disregard of the principal characteristic of the newest capitalism: monopoly. Free markets are becoming more and more a thing of the past; monopolist syndicates and trusts are cutting into them more and more every day, and "simply" improving agricultural conditions resolves itself into improving the conditions of the masses, raising wages and reducing profits. Where, except in the imagination of sentimental reformists, are there any trusts capable of interesting themselves in the conditions of the masses instead of in the conquest of colonies?

Not only are the already known sources of raw materials important to finance capital, but also possible sources, for present-day technical development is extremely rapid, and land which is useless today may be made useful tomorrow if new methods are applied (for this purpose a big bank can equip a special expedition of engineers, agricultural experts, *etc.*), and large amounts of capital are invested. The same applies to prospecting for mineral wealth, to new methods of preparing and utilising raw materials, *etc., etc.,* Hence the inevitable striving of finance capital to expand its economic territory and even its territory in general. In the same way that the trusts capitalise their property by estimating it at two or three times its value, taking into account its "possible" future (and not present) returns, and figuring on the further results of monopoly, so finance capital strives to seize as much land as possible, of whatever kind, wherever and however it can, counting on possible sources, and fearing to be left behind in the insensate struggle for the last available morsels of unapportioned territory, or for a re-partition of those which have already been parcelled out.

The British capitalists are exerting every effort to develop coton growing in *their own* colony, Egypt. (In 1904, out of 2.3 million hectares of land under cultivation in Egypt, 0.6 million, or more than one-fourth, were devoted to cotton growing.) The Russians are doing the same in *their* colony, Turkestan. And in each case they are doing so because in this way they can more easily defeat their foreign competitors, mono-

polise the sources of raw materials, and form a more economical and profitable textile trust with "combined" production and with concentration of *all* stages of production and preparation of cotton under a single ownership.

The need to export capital similarly serves to stimulate the conquest of colonies, for it is easier in the colonial market (and sometimes it is the only possible way), to eliminate a competitor by monopolist methods, to make sure of orders, to strengthen the necessary "connections," etc.

The non-economic superstructure which grows up on the basis of finance capital, its politics and its ideology, accentuate the striving for colonial conquests. "Finance capital does not want liberty, it wants domination," as Hilferding very truly says. And a French bourgeois writer, developing and supplementing, as it were, the ideas of Cecil Rhodes which we quoted above, writes that social causes should be added to the economic causes of modern colonial policy.

Owing to the growing complexity and difficulties of life which weigh not only on the masses of the workers, but also on the middle classes, impatience, irritation and hatred are accumulating in all the countries of the old civilisation, and are becoming a menace to public order; employment must be found for the energy which is overflowing its usual class channels; it must be given an outlet abroad in order to avert an explosion at home.*

Since we are speaking of colonial policy in the period of capitalist imperialism, it must be observed that finance capital and its corresponding international policies, which become resolved into the struggle of the great powers for the economic and political division of the world, give rise to a number of *transitional* forms of national dependence. The division into two principal groups of countries—possessors of colonies, and colonies—is not the only typical feature of this period; there is also a variety of forms of dependent countries which formally are politically independent, but which are in fact enmeshed in the net of financial, and diplomatic dependence. We have already referred to one of the forms—the semi-colony. An example of another form is provided by Argentina.

"South America, especially Argentina," writes Schulze-Gaevernitz in his work on British imperialism, "is so depend-

* Wahl, *La France aux colonies*, quoted by Henri Russier, *Le partage de l'Oceanie*, Paris, 1905, p. 167.

ent financially on London that it may almost be described as a British commercial colony."† Schilder, on the basis of a report of the Austro-Hungarian consul at Buenos Aires, estimates the amount of British capital invested in Argentina in 1909 at 8.75 billion francs. It is not difficult to imagine with what firm bonds British finance capital (and its faithful "friend," diplomacy) is bound with the Argentina bourgeoisie and with the leading circles of its whole economic and political life.

An example of a somewhat different form of financial and diplomatic dependence with political independence is presented by Portugal. Portugal is an independent sovereign state, but in actual fact, for more than two hundred years, ever since the War of the Spanish Succession (1700-1714), it has been a British protectorate. Great Britain has protected Portugal and her colonies in order to fortify her own positions in the fight against her rivals, Spain and France. In return, she has received commercial advantages, better terms for exporting goods, and, above all, for exporting capital, into Portugal and the Portuguese colonies, and also the right to use the ports and islands of Portugal, her telegraph cables, *etc* * Between large and small states, relations of this kind have always existed, but during the period of capitalist imperialism they become a general system; they form part of the process of "dividing up the world"; they become links in the operations of world finance capital.

In order to complete our examination of the question of the division of the world, we must note the following. This question was raised quite openly and definitely not only in American literature after the Spanish-American War, and in English literature after the Boer War, at the very end of the nineteenth century and the beginning of the twentieth; not only has German literature, which always "jealously" follows "British imperialism," systematically appreciated this fact. The question has also been raised in French bourgeois literature in terms as definite and broad as the bourgeois point of view allows. We shall refer to Driault, the historian, who, in his book, *Political and Social Problems*, in the chapter on "The

† Schulze-Gaevernitz, *Britischer Imperialismus und englischer Freihandel zu Beginn des 20. Jahrhunderts*, Leipzig, 1906, p. 318. Sartorius von Waltershausen says the same in his book, *Das volkswirtschaftliche System der Kapitalanlage im Auslande*, Berlin, 1907, p. 46.

*Schilder, *op. cit.*, I, pp. 160, 161.

Great Powers and the Division of the World," wrote the following:

During recent years, all the free territory on the earth, with the exception of China, has been occupied by the powers of Europe and North America. Several conflicts and shifts in influence have already occurred over this matter, which foreshadow much more terrible outbreaks in the near future. For it is necessary to make haste. The nations which have not taken care of themselves run the risk of never receiving their share, and of never participating in the tremendous exploitation of the earth which will be one of the most essential features of the next century (*i.e.*, the twentieth). That is why all Europe and America have lately been afflicted with the fever of colonial expansion, of "imperialism," that most characteristic and most noteworthy feature of the end of the nineteenth century.

And the author adds:

In this partition of the world, in this furious pursuit of the treasures, and the big markets of the earth, the relative strength of the empires founded in this [the nineteenth] century are totally out of proportion with the place occupied in Europe by the nations who founded them. The dominant powers in Europe, those which decide its destinies, are *not* equally strong throughout the whole world. And, as colonial power, the hope of controlling untold wealth, will obviously influence the relative strength of the European powers, the colonial question—"imperialism" if you will—which has already transformed the political conditions of Europe itself, will modify them more and more.†

NOTE FOR CHAPTER VI

[1] The "imperialism of ancient Rome," which carried on a policy of seizure and conquest, by force of arms subduing to its hegemony a great many countries in Europe, Asia and Africa, must not be confused with modern imperialism, just as, for instance, usury capital which existed before capitalism should not be confused with usury bank capital in the epoch of imperialism. The difference between the imperialism of ancient Rome and modern imperialism consists in the *differences of production bases*. Then it was small peasant and artisan production and commercial capital; now it is enormous machine production and monopoly capital. This example, among others, shows how incorrect it is to understand by the term "modern imperialism" only a "policy," and not a whole system of capitalist economy. The former point of view makes it impossible to understand the distinction between the imperialism of ancient Rome and modern imperialism.

†I. B. Driault, *Problems politiques et sociaux*, Paris, 1907, p. 299.

NEW DATA FOR CHAPTER VI

PERCENTAGE OF TERRITORIES BELONGING TO EUROPEAN COLONIAL POWERS, UNITED STATES AND JAPAN

1932	Changes compared with 1900	
96.6[1]	+ 6.2	Africa
100.0	+ 1.1	Polynesia
20.6[2]	—36.0	Asia (exclusive of Asiatic part of U.S.S.R.)
100.0	—	Australia
80.4[3]	+ 3.2	America

[1] In 1936, after the seizure of Abyssinia by Italy, the African territory belonging to colonial powers amounted to nearly 100 per cent (the only exception being Liberia which, formally, is independent, but actually is a dependency of the United States).

[2] After the seizure of a number of provinces in China by Japan after 1930, this percentage increased.

[3] The discrepancy between these and Lenin's figures is due mainly to the correction of the figures relating to American countries and the American continent as a whole. Minor corrections have also been made in the above table in the two following tables concerning a number of other countries.

SOURCES: Figures for 1932 are calculated on the basis of data from *Statistical Yearbook of the League of Nations*, 1932-33.

COLONIAL POSSESSIONS

(Million square miles and million inhabitants)

	Great Britain		France		Germany		U.S.A.		Japan	
	Area	Pop.	Area	Pop.	Area	Pop.	Area	Pop.	Area	Pop.
1815-30	?	126.4	0.02	0.5	—	—				
1860	2.5	145.1	0.2	3.4	—	—				
1880	7.7	267.9	0.7	7.5	—	—				
1899	9.3	309.0	3.7	56.4	1.0	14.7	0.06	10.6		
1932	13.5	466.5	4.6	65.1	—	—	0.7	14.6	0.1	28.0

exclusive of recently occupied Chinese territory.

SOURCES: For 1815-30, 1860, 1880, 1899 the figures for Britain, German and France are quoted from Lenin. U.S.A. figures for 1899 are taken from *Statesman's Yearbook*, 1901: 1932 figures are taken from *International Statistical Yearbook*, L. of N., 1932-33.

LATEST EXAMPLES OF PROPAGANDA IN FAVOUR OF COLONIAL PLUNDER

The cynical arguments of the outspoken advocates of colonial plunder at the end of the nineteenth century, such as Cecil Rhodes, Joseph Chamberlain, and their ilk, are repeated almost verbatim by the politicians and ideologists of present-day imperialism. Particularly shameless propaganda in favour of colonial plunder is conducted by German and Italian fascists and Japanese militarists. Spurious, inhuman and barbarous racial "theories" constitute the official ideology of the fascist aggressors. While pursuing a policy of enslavement of other peoples in the interests of a handful of monopolists the aggressors try to screen this policy by phrases about the interests of the nation, the need to feed the so-called "surplus" population and similar lies. Actually, the fascist policy of aggression condemns the German, Japanese and Italian peoples to distressing privations, to say nothing of the indescribable suffering of the peoples who have become victims of aggression. Below we quote a few examples of this cynical propaganda:

An appeal issued by the German Imperial Colonial League

(*Reichskolonialbund*) and published in the *Deutsche Tageszeitung* on March 17, 1934, declared that:

"The Leader" (Hitler) "has advanced the following demands in point 3 of the party programme: 'We demand lands and territories (colonies) for the sustenance of our people and for the settlement of our surplus population.' In the speech he delivered in the Reichstag on March 23, 1933, he declared: 'We know that the geographical position of Germany, which is poor in raw materials, does not guarantee autarchy for our state.' On February 11, 1933, he declared to a representative of the *Sunday Express* that Germany had not by any means renounced her colonial aspirations. 'Germany needs a great number of things which she must obtain from colonies, and we need colonies just as much as any other power.'"

In a special supplement devoted to colonial propaganda, the *Kolnische Zeitung* of April 24, 1934, says:

"The value of owning colonies cannot be overestimated. They ensure for the nation raw materials in accordance with national interests. It is an advantage which a state with exporting requirements cannot dispense with for any length of time. Has not Japan on these grounds recently secured for herself the riches of Manchuria; does she not lease whole regions in Abyssinia and Turkey, where she intends to develop her own cotton plantations? Of still greater importance, perhaps, is the fact that possession of colonies is the nation's most important foundation for overseas national activity...."

"The spaceless German people in an overpopulated Europe is directly confronted with the African territories—*space without a people*. Africa lies at the gates of Europe and she still has for Europe the significance she had at the time of the Roman Empire, and which she again acquired in the age of discoveries: She was and remains a *colonial region*...."

"It is precisely at the present time that we realise so clearly how important it is for us to have our own cotton, our own hemp, our own rubber and our own vegetable oils, for which we can pay with German currency. It is precisely these raw materials that we used to obtain from our tropical colonies...."

In an article published in *Deutsche Bergwerkszeitung* in 1933 Professor Henning even thought fit to advance as an argument for the return of the colonies to Germany her superior

ability to keep the native population in a state of subjection. He wrote :

"The British Mandate administration in the present territory Tanganyika, formerly German East Africa.. spoils the blacks.... it panders to them too much.... The planters feel instinctively that these senseless methods irresponsibly undermine white rule in Africa. That is why they so persistently demand that Germany should return to German East Africa, because she pursued a more sensible policy, and one that was more beneficial for the natives themselves, than the administration of the 'Mandated Territory of Tanganyika' which, notwithstanding its indulgent methods, has not won the hearts of the blacks, and has only made them stubborn and worthless."

From Japanese documents, which advance arguments in favour of colonial plunder, we shall quote a few passages from the notorious Tanaka Memorandum, which was submitted to the Emperor in 1927.

"In order to conquer China, we must first conquer Manchuria and Mongolia ; in order to conquer the world, we must first conquer China. If we succeed in conquering China, the rest of the Asiatic countries and the South Seas countries will fear us and surrender to us.

"According to the last will of Meiji, our first step was to conquer Formosa and the second step to annex Korea. Having completed both of these, the third step is yet to be taken and that is the conquest of Manchuria, Mongolia and China. When this is done, the rest of Asia including the South Sea Islands will be at our feet....

"The iron deposits in Manchuria and Mongolia are estimated at 1,200,000,000 tons, and coal deposits, 2,500,000,000.... We shall save the expense of 120,000,000 yen which we pay for the importation of steel every year. When we can have sufficient iron and steel for our own industries, we shall have acquired the secret for becoming the leading nation in the world. Thus strengthened, we can conquer both the East and the West. In order to attain this goal, the iron works must be separated from the South Manchuria Railway.

"Another important commodity which we lack is petroleum. It is also essential to the existence of a nation. Fortunately there lie in the Fushun Coal Mine 5,200,000 tons of shale oil from every hundred catties of which six catties of crude oil may be extracted....

"This will be a great industrial revolution for us. From the standpoint of national defence and national wealth, petroleum is a great factor. Having the iron and petroleum of Manchuria, our army and navy will become impregnable walls of defence. That Manchuria and Mongolia are the heart and liver of our empire, is a truthful saying."

SOURCES: "The Tanaka Memorial," *The China Critic*, 24, IX, 1931, pp. 923, 927-28, 932.

(Million square kilometres and million inhabitants.)

Colonies		Home countries		Total		
1932						
Area	Pop.	Area	Pop.	Area	Pop.	
34.9	466.5	0.25[1]	46.2	35.1	512.7	Great Britain
11.9	65.1	0.55[2]	42.0	12.45	107.1	France
—	—	0.47[3]	64.8	0.47	64.8	Germany
0.3	14.6	9.4[4]	124.6	9.7	139.2	United States
0.3[5]	28.0	0.4	65.5	0.7	93.5	Japan (excl. of recently occupied Chinese provinces)
47.4	574.2	11.02	343.1	58.42	917.3	Total for 5 Great Powers.
9.6	87.6	–	–	9.6	87.6	Colonies of other powers (Belgium, Holland, Denmark, Italy, Spain, Norway and Portugal).
–	–	–	–	34.9	600.0	Semi-colonial and dependent countries—China[6], Arabia, Siam, countries of Central and South America, Abyssinia[7] and Liberia.
–	–	–	–	3.0	30.7	Countries which have entirely or almost entirely freed themselves from imperialist dependence (Turkey, Iran and Afghanistan).
–	–	–	–	3.98	224.1	Other countries (capitalist).
–	–	–	–	1.4	1.6	Mongolian and Tanna Tuva People's Republics.
–	–	–	–	111.3	1851.3	World total (excl. U.S.S.R.)
–	–	–	–	21.2	163.2	U.S.S.R.
–	–	–	–	132.5	2024.5	World Total

[1]The discrepancy between these and Lenin's figures (0.3 million square kilometres in 1914) is due to the exclusion of the Irish Free State. If the area of Great Britain in 1932 (244,000 sq. km.) is added to the area of the Irish Free State (69,000 sq. km.) we shall get the figure of 0.3 million sq. km., as given by Lenin.

The following are the most important changes that have taken place in the division of the world since 1914:

1) As a result of national liberation revolutions a number of former colonial and semi-colonial countries secured independence. The October Revolution put an end to the subjugation of the numerous national minorities in former tsarist Russia and, in particular, it freed from colonial exploitation the Asiatic part of the U.S.S.R. which in Lenin's table is included in the category of colonies. The Mongolian and Tanna Tuva People's Republics also gained their independence. The victorious Chinese revolution brought about the formation of Soviet districts (now special regions) in China. At present the great Chinese people is waging a heroic struggle against the Japanese aggressors for its national independence. Turkey, Iran and Afghanistan have entirely, or almost entirely, freed themselves from imperialist dependence.

2) On the other hand, a number of formerly independent countries have been transformed into colonies or semi-colonies (cf. list of latest colonial conquests on page 186).

3) As a result of the redivision of the world under the Versailles Treaty, Great Britain, France and Italy, as well as other powers, greatly enlarged their colonial possessions by seizing the colonies of the defeated countries.

4) Japan has practically grabbed Manchuria and a number of other provinces of China, and is now fighting to keep these as her colonies and to seize additional Chinese territory. These conquests of Japanese imperialism are merely a prelude to the war that is maturing among the imperialist powers for a new redivision of the world and for a counter-revolutionary war on the Soviet Union.

5) Italy invaded and forcibly annexed Abyssinia.

[2]The pre-war area of France was 536,000 sq. km.; post-war area, 551,000 sq. km.

[3]The pre-war area of Germany was 541,000 sq. km.; post-war area 469,000 sq. km.

[4]Including Alaska, as given by Lenin in 1914.

[5]According to *Statistical Yearbook*, L. of N., 1927, 1932-33, the area of the Japanese colonies was 296,000 sq. km. in 1914 and 299,000 sq. km. in 1932.

[6]At present China is waging a heroic struggle against Japanese aggression and is on the way to becoming an independent country.

[7]In 1936 Italy seized Abyssinia.

6) Germany in 1938 seized Austria by force, turning it into her colony.

7) The Italian and German interventionists do what they like in the part of Spain occupied by them and treat it as their colony.

COLONIES OF THE SMALL POWERS

Of the small powers who possess colonies in the post-war period, Portugal and Holland are under the powerful influence of Great Britain, while Belgium (Belgian Congo) is under the influence of France. The colonial possessions of Spain are a matter of rivalry between all European imperialist great powers.

IMPORTANT COLONIAL CONQUESTS IN THE 20TH CENTURY

1899-1900	.. Division of Samoan Islands among Germany, U.S.A. and Great Britain.
1900-02	.. Anglo-Boer War and British annexation of the Boer Republics in South Africa.
1903	.. Seizure by U.S. of part of Colombia and establishment of "independent" Republic of Panama which turned over the Panama Canal Zone to the U.S.
1903-04	.. Complete subjugation of Somaliland by Great Britain.
1904	.. Anglo-French agreement concerning the division of spheres of influence in Africa.
1904	.. Great Britain establishes *de facto* protectorate over Tibet.
1905	.. United States establishes *de facto* protectorate over Santo Domingo.
1905	.. Japan annexes southern half of Sakhalin.
1908	.. The Congo Free State is transformed from the private domain of Leopold, King of the Belgians, into a Belgian colony.
1907	.. Anglo-Russian agreement concerning the division of spheres of influence in Persia.
1907	.. France annexes three provinces in Siam.
1907-10	.. Japan annexes Korea.

1911 .. Franco-German agreement concerning Morocco and the Congo.

1911-12 .. Italy annexes Tripoli and Cirenaica.

1912 .. French protectorate established over Morocco and later finally divided up between France and Spain.

1912-13 .. Italy seizes the Dodecanese Islands (formal annexation in 1923).

1914 .. Great Britain proclaims formal protectorate over Egypt, actually seized in the 'eighties (Egypt's independence was formally restored in 1922).

REDIVISION OF GERMAN COLONIES BY VERSAILLES TREATY

1919 .. Tanganyika allocated to Great Britain.
Ruanda and Urundi allocated to Belgium.
Kionga allocated to Portugal.
The Cameroons and Togoland divided between Great Britain and France.
German Southwest Africa allocated to the Union of South Africa (British Empire).
Caroline, Marshall and Marianne Islands allocated to Japan. German New Guinea allocated to Australia (British Empire). German Samoan Island allocated to New Zealand (British Empire).

REDIVISION OF POSSESSIONS OF THE FORMER OTTOMAN EMPIRE

1919 .. Seizure of Syria by France.
Seizure of Palestine and Transjordania by Great Britain. Seizure of Iraq by Great Britain (since 1931, Iraq has been formally independent).

1923 .. Formal annexation of the Dodecanese Islands by Italy.

1926 .. Final seizure of the Riff zones in Morocco by France and Spain.

1931-36 .. Occupation of Manchuria and parts of the Northern Provinces of China by Japan.

1936 .. Occupation of Abyssinia by Italy.

SOURCES: *Annual Register*, 1900-32; *Schultheiss Jahrbucher*, 1900-32; A. Toynbee, *Survey of International Affairs*, 1925-32.

IMPERIALIST EXPANSION OF THE PRODUCTION OF RAW MATERIALS IN THE COLONIES

The efforts of the imperialists to develop the production of raw materials in their own colonies have been greatly increased in the post-war period, as is shown by the data given below.

Striving to free herself from dependence on American cotton, Great Britain is extensively developing the cultivation of cotton in Egypt, the Anglo-Egyptian Sudan and in Uganda. This can be seen from the following table:

AREA UNDER COTTON IN BRITISH COLONIES

(thousand hectares)

	1904	1909-13	1930-31	1932-33	1936-37
Egypt	600	705	875	459	721
Anglo-Egyptian Sudan	—	18	157	133	192
Uganda	—	23	299	134	602

Owing to the crisis the area under cotton in Egypt and the Sudan was reduced in 1931-32 and 1932-33. Since 1933, however, the area has been increasing. In Uganda the area kept on increasing even during the crisis.

France is also making efforts to create her own cotton base in her colonies, primarily in French Equatorial Africa. This is illustrated in the following table:

AREA UNDER COTTON IN FRENCH COLONIES

(hectares)

	1909-13	1922-23	1929	1934-35
All French colonies ..	1,854	54,374	263,367	354,766
Equatorial Africa only ..	—	2,810	15,000	117,200

During the crisis the area under cotton in the French colonies was reduced. This, however, does not apply to French Equatorial Africa, where the increase of the area under cotton continued.

In 1932 a special Cotton Committee, consisting of representatives of French companies operating in the French colonies in Africa, drew up in conjunction with the government a programme for the maintenance and further development of cotton growing, which provided, among other things,

for fixed purchase prices, subsidies, etc.

Japan is developing the cultivation of cotton in Korea where the area under cotton increased from 59,000 hectares in the period 1909-13 to 192,000 hectares in 1934-35. At the same time she is trying to develop the cultivation of cotton in Manchuria and North China. In the latter territory the area under cotton from 1933 to 1936 increased by almost 53 per cent.

The United States, the principal consumer of rubber, is waging a fierce struggle against the British rubber monopoly. In 1929 over 70 per cent of the world's rubber exports—622,000 l. tons out of a total of 861,000 l. tons—was exported from plantations under British control. The United States acquired land for rubber plantations in Brazil (1927), Liberia (1929), Sumatra and the Malay Peninsula. She has also developed the rubber reclaiming industry. The biggest American companies formed a buying syndicate in order to resist the British price policy, particularly during the operation of the Stevenson scheme of 1922-28, which restricted the export of rubber from British possessions for the purpose of keeping up the price. The opposition of this syndicate greatly contributed to the collapse of that scheme. Simultaneously, there was a large increase in the consumption of reclaimed rubber in the United States.

France is also creating her own rubber base in her colonies, primarily in Indo-China, where the production of rubber increased from 7,400, l. tons in 1925 to 40,830 l. tons in 1936. The capital invested in rubber plantations in Indo-China in 1928-29 was no less than 400 million francs. In order to maintain the new plantations during the crisis the French Government in 1930 began to grant subsidies, which by 1935 were to have amounted to a total of 100,000,000 francs. It also introduced the payment of rubber export bonuses. Similar measures are being employed in connection with the rubber plantations in the French colonies in Africa.

The colonial sources of oils and fats are largely monopolised by Anglo-Dutch capital (Unilever). In order to create her own supply base France is intensively developing vegetable oil cultivation, particularly ground nuts in French Equatorial and West Africa. The area under cultivation of ground nuts increased from 40,000 hectares in 1909-13, to 1,202,000 hectares in 1931. Owing to the crisis the area began to diminish, but in 1933 a number of measures were introduced for the purpose of stimulating the cultivation of oil producing crops in the

French colonies, such as restricting imports of foreign raw materials into France, construction of roads in Africa, etc.

In addition, France is creating a food supplies base in her African colonies. The area under wheat and other grains is being continually enlarged in Algiers, Tunis and Morocco, thanks to the large subsidies the government paid to the French colonists, particularly during the crisis. In Morocco, for example, the area under wheat increased from 628,000 hectares in 1915-18, to 1,218,000 hectares in 1929 ; in 1935-36 the area was 1,463,000 hectares.

Japan is pursuing a similar policy of creating a fats and food supplies base in her colonies. Korea and Formosa are used primarily for the cultivation of food supplies (rice and other grain). By the seizure of Manchuria Japan secured the monopoly in the production of soya beans. In 1929 the soya bean harvest in Manchuria amounted to 4,849,400 tons out of a total world harvest of 6,121,000 tons, *i.e.*, 79.2 per cent. During the last few years Japan has been developing cotton raising and sheep breeding in Korea and Manchuria.

SOURCES : *Annuaire International de la Statistique Agricole*, 1925, 1932-33 ; *Revue Internationale d'Agriculture*, Fevrier 1937 ;*Ostasiatische Rundschau*, 1, II, 1937 ; J. W. F. Rowe "Studies in the Artificial Control of Raw Material Supplies," No. 2, *Rubber*, April 1931, p. 86 ; Statistical Bulletin of the International Rubber Regulation Committee, February 1937 ; *Bulletin de la Statistique Generale de la France, Janvier-Mars*, 1934 ; *Semaine Coloniale*, 20 Avril, 1934 ; *The Economist*, May 5, 1934 ; Denny, *America Conquers Britain*, 1930.

THE STRUGGLE BETWEEN THE UNITED STATES AND GREAT BRITAIN FOR THE CARIBBEANS AND SOUTH AMERICA

After the war American capitalism strengthened its positions in South America and especially in the Caribbeans and outstripped Great Britain in regard to the speed and dimensions of its investments. This is seen from the following tables :

BRITISH AND UNITED STATES INVESTMENTS IN SOUTH AMERICA AND THE CARIBBEANS

(Million dollars)

Countries.	British		U.S.A.	
SOUTH AMERICA	1913	1929	1913	1929
Argentina	1,861	2,140	40	611
Bolivia	2	13	10	133
Brazil	1,162	1,414	50	476
Chile	332	390	15	396
Colombia	34	38	2	261
Ecuador	15	23	10	25
Paraguay	16	18	3	15
Peru	133	141	35	151
Uruguay	240	217	5	64
Venezuela	41	92	3	162
Total	3,836	4,486	173	2,294
THE CARIBBEANS (including Cuba, Mexico and West Indies)				
Costa Rica	33	27	7	36
Guatemala	52	58	20	38
Honduras	16	25	3	13
Nicaragua	6	4	3	24
Salvador	11	10	3	15
Panama	—	8	5	36
Cuba	222	238	220	1,526
Haiti	—	—	4	31
Mexico	808	1,035	800	1,550
Dominican Republic ..	—	—	4	24
Total	1,148	1,405	1,069	3,293
Grand Total ..	4,984	5,891	1,242	5,587

SOURCES : M. Winkler, *Investments of U.S. Capital in Latin America*, 1929, pp. 284-85, in round figures.

BRITISH AND UNITED STATES SHARE OF ABC COUNTRIES IMPORTS (%)

Countries	Argentina		Brazil		Chile	
	1913	1931	1913	1931	1913	1931
Great Britain	31.0	20.1	24.5	17.5	30.0	16.0
United States	14.7	16.0	15.7	25.0	16.7	34.3

SOURCES : *Wochenbericht des Instituts fur Konjunkturforschung*, N. 28, 1934 ; Max Winkler, *Investments of U.S. Capital in Latin America*, 1929, pp. 274, pp. 279.

IMPERIALISM AS A SPECIAL STAGE OF CAPITALISM

WE MUST now try to draw certain conclusions, to sum up what has been said above about imperialism. Imperialism emerged as a development and direct continuation of the fundamental properties of capitalism in general. But capitalism became capitalist imperialism only at a definite, very high stage of its development, when certain of its fundamental properties had begun to change into their opposites, when the features of a period of transition from capitalism to a higher socio-economic system had begun to take shape and reveal themselves all along the line. Economically fundamental in this process is the replacement of capitalist free competition by capitalist monopolies. Free competition is the fundamental property of capitalism and of commodity production generally. Monopoly is the direct opposite of free competition; but we have seen the latter being transformed into monopoly before our very eyes, creating large-scale production and squeezing out small-scale production, replacing large-scale by larger-scale production, finally leading to such a concentration of production and capital that monopoly has been and is the result: cartels, syndicates and trusts, and, merging with them, the capital of a dozen or so banks manipulating thousands of millions. And at the same time the monopolies, which have sprung from free competition, do not eliminate it, but exist alongside of it and over it, thereby giving rise to a number of very acute and bitter antagonisms, points of friction, and conflicts. Monopoly is the transition from capitalism to a higher order.

If it were necessary to give the briefest possible definition of imperialism, we should have to say that imperialism is the monopoly stage of capitalism. Such a definition would include the essential point, for, on the one hand, finance capital is bank capital of the few biggest monopolist banks, merged with the capital of monopolist combines of industrialists; on the other hand, the division of the world is the transition from a colonial policy which has extended without hindrance to territories unoccupied by any capitalist power, to a colonial policy of monopolistic possession of the territories of the world, which has been completely divided up.

But too brief definitions, although convenient, since they sum up the main points, are nevertheless inadequate, because very fundamental features of the phenomenon to be defined must still be deduced. And so, without forgetting the conditional and relative value of all definitions, which can never include all the connections of a fully developed phenomenon we must give a definition of imperialism that will include the following five essential features:

1. The concentration of production and capital, developed to such a high stage that it has created monopolies which play a decisive role in economic life.

2. The merging of bank capital with industrial capital and the creation, on the basis of this "finance capital," of a financial oligarchy.

3. The export of capital, as distinguished from the export of commodities, becomes of particularly great importance.

4. International monopoly combines of capitalists are formed which divide up the world.

5. The territorial division of the world by the greatest capitalist powers is completed.

Imperialism is capitalism in that stage of development in which the domination of monopolies and finance capital has taken shape; in which the export of capital has acquired pronounced importance; in which the division of the world by the international trusts has begun, and in which the partition of all the territory of the earth by the greatest capitalist countries has been completed.

We shall see later how imperialism may and must be defined differently when consideration is given not only to the fundamental, purely economic factors—to which the above definition is limited—but also to the historical place of this stage of capitalism in relation to capitalism in general, or to the relations between imperialism and the two basic tendencies in the labour movement. The point to be noted just now is that imperialism, as understood in this sense, undoubtedly represents a special stage in the development of capitalism. In order to enable the reader to obtain as well-grounded an impression of imperialism as possible we have expressly tried to quote as much as possible from *bourgeois* economists, who are obliged to admit the particularly indisputable and established fact regarding the newest capitalist economy. With the same object we have produced detailed statistics which reveal to what extent bank capital, etc., has grown, showing

just how the transition from quantity to quality, from developed capitalism to imperialism, has expressed itself. Needless to say, all the boundaries in nature and in society are conditional and changing, and it would be absurd to dispute, for instance, over the year or decade in which imperialism became "definitely" established.

In defining imperialism, however, we have to enter into controversy, primarily, with Karl Kautsky, the principal Marxist theoretician of the epoch of the so-called Second International—that is, of the twenty-five years between 1889 and 1914.

Kautsky, in 1915 and even in November, 1914, decisively attacked the fundamental ideas expressed in our definition of imperialism. He declared that imperialism must not be regarded as a "phase" or as an economic stage, but as a policy; a definite policy "preferred" by finance capital; that imperialism cannot be "identified" with "contemporary capitalism"; that if by imperialism is meant "all the phenomena of contemporary capitalism"—cartels, protectionism, the rule of the financiers, and colonial policy—then the question whether imperialism is necessary to capitalism becomes reduced to the "rankest tautology," for in that case, imperialism is "naturally a vital necessity for capitalism," and so on. The most accurate way to present Kautsky's ideas is to quote his own definition of imperialism, which is directly opposed to the substance of the ideas which we set forth (for the objections of the German Marxists, who for many years have been propounding such ideas, have been known to Kautsky as the objections of a definite tendency in Marxism for a long time).

Kautsky's definition is as follows:

> Imperialism is a product of highly developed industrial capitalism. It consists in the striving of every industrial capitalist nation to bring under its control and to annex larger and larger *agrarian* [Kautsky's italics] regions, irrespective of what nations inhabit them.*

This definition is utterly worthless because it is one-sided, *i.e.*, it arbitrarily brings out the national question alone (admittedly, it is extremely important in itself as well as in its relation to imperialism); arbitrarily and *incorrectly* it connects this question *only* with the industrial capital in the

Die Neue Zeit, 32nd Year, II, 1914, p. 909; cf. also 33rd Year, II, 1915 p. 107 *ff.*

countries which annex other nations; in an equally arbitrary and incorrect manner it emphasises the annexation of agrarian regions.

Imperialism is a striving for annexations—this is what the *political* part of Kautsky's definition amounts to. It is correct, but very incomplete, for politically, imperialism is generally a striving towards violence and reaction. We are interested here, however, in the *economic* aspect of the question, which Kautsky *himself* introduced into *his own* definition. The errors in the definition of Kautsky are clearly evident. The characteristic feature of imperialism is *not* industrial capital, *but* finance capital. It is not an accident that in France, it was precisely the extraordinarily rapid development of *finance* capital and the weakening of industrial capital, that, from 1880 onwards, gave rise to a sharpening of annexationist (colonial) policy. The characteristic feature of imperialism is precisely the fact that it strives to annex *not only* agrarian but even the most industrialised regions (the German appetite for Belgium; the French appetite for Lorraine), first, because the fact that the world is already partitioned makes it necessary, in the event of a *re-partition*, to stretch out one's hand to *any* kind of territory, and second, because an essential feature of imperialism is the rivalry between a number of great powers in striving for hegemony, i.e., for the seizure of territory, not so much for their own direct advantage as to weaken the adversary and undermine *his* hegemony (for Germany, Belgium is chiefly necessary as a base against England; for England, Bagdad as a base against Germany,* *etc.*).

Kautsky refers especially—and repeatedly—to the Englishmen who, he alleges, have established the purely political meaning of the word "imperialism" in his, Kautsky's, sense. We take up the work by the Englishman, Hobson, *Imperialism*, which appeared in 1902, and therein we read:

> The new imperialism differs from the older, first, in substituting for the ambition of a single growing empire the theory and the practice of competing empires, each motived by similar lusts of political aggrandisement and

*In speaking of the importance to England of Bagdad as a base against Germany, Lenin refers to its importance for the struggle of English imperialism of that time against the predatory plans of Germany in Asia Minor, the Persian peninsula, India, and Egypt, in particular against the realisation of the German plan for building the Berlin-to-Bagdad railway.

commercial gain; secondly, in the dominance of financial or investing over mercantile interests.*

We see that Kautsky is absolutely wrong in factually referring to Englishmen in general (unless he meant the vulgar British imperialists, or the avowed apologists for imperialism). We see that Kautsky, while pretending that he is continuing to defend Marxism, is really taking a step backward in comparison with the *social-liberal* Hobson, who rightly takes account of two "historically concrete" (Kautsky virtually ridicules historical concreteness by his definition) features of modern imperialism: (1) the competition between *several* imperialisms and (2) the predominance of the financier over the merchant. Yet if it were chiefly a question of the annexation of an agrarian country by an industrial one, the role played by the merchant would be predominant.

But Kautsky's definition is not only wrong and un-Marxian. It serves as a basis for a whole system of views which all along the line run counter to Marxian theory and practice; we shall refer to this again. The argument about words which Kautsky raises as to whether the newest stage of capitalism should be called imperialism or the stage of finance capital is really not serious. Call it what you will, it makes no difference. The important thing is that Kautsky detaches the policy of imperialism from its economics, speaks of annexations as being a policy "preferred" by finance capital, and opposes to it another bourgeois policy which he alleges to be possible on the same basis of finance capital. It would follow that monopolies in economics are compatible with methods which are neither monopolistic, nor violent, nor annexationist, in politics. It would follow that the territorial division of the world, which was completed precisely during the period of finance capital and which represents the main feature of the present peculiar forms of rivalry between the greatest capitalist states, is compatible with a non-imperialist policy. The result is a slurring-over and a blunting of the most profound contradictions of the newest stage of capitalism, instead of an exposure of their depth. The result is bourgeois reformism instead of Marxism.

Kautsky enters into controversy with the German apologist of imperialism and annexations, Cunow, who clumsily and cynically argues that: imperialism is modern capitalism; the development of capitalism is inevitable and progressive; there-

*Hobson, *op. cit.*, p. 324.

fore imperialism is progressive; therefore we should bow down before imperialism and vaunt its praises. This is something like the caricature of the Russian Marxists which the Narodniks* drew in 1894-1895. They used to argue that if the Marxists considered capitalism inevitable and progressive in Russia, they ought to open up a public-house and start breeding capitalism! Kautsky retorts to Cunow: No, imperialism is not modern capitalism, but only one of the forms of the policy of modern capitalism. This policy we can and must fight; we can and must fight against imperialism, annexations, etc.

The retort sounds quite plausible. But in effect it is a more subtle and disguised (and, therefore, more dangerous) preaching of conciliation with imperialism, for unless the "struggle" against the policy of the trusts and banks strikes at the economic bases of the trusts and banks, it reduces itself to bourgeois reformism and pacifism, to an innocent and benevolent expression of pious hopes. Kautsky's theory, which has nothing in common with Marxism, avoids mentioning existing contradictions, and ignores the most important of them instead of revealing them in their full depth. Naturally, such a "theory" can only serve the purpose of defending unity with the Cunows!

From a purely economic point of view, says Kautsky, it is not impossible that capitalism will pass through yet another new phase, that of the extension of the policy of the cartels to foreign policy, the phase of ultra-imperialism,† *i.e.*, of a super-imperialism, a union of world imperialisms and not struggles among them; a phase when wars shall cease under capitalism, a phase of "the joint exploitation of the world by an internationally combined finance capital."‡

We shall have to deal with this "theory of ultra-imperialism" later to show in detail how decisively and utterly it departs from Marxism. Meanwhile, in keeping with the general plan of the present work, we must examine the exact economic data on this question. Is "ultra-imperialism" possible "from the purely economic point of view," or is this ultra-nonsense?

*Populists.—*Ed.*

†*Die Neue Zeit*, 33rd Year, II, p. 144. (Lenin summarises Kautsky)—*Ed.*

‡*Ibid. Cf. also Die Neue Zeit*, 32nd Year, II, 1914, p. 909.

If by the purely economic point of view is meant a "pure" abstraction, then all that can be said resolves itself into the following proposition: evolution is proceeding towards monopoly; therefore the trend is towards a single world monopoly, single world trusts. This is indisputable, but it is also as completely devoid of meaning as is the statement that "evolution is proceeding" towards the manufacture of foodstuffs in laboratories. In this sense the "theory" of ultra-imperialism is no less absurd than a "theory of ultra-agriculture" would be.

If, on the other hand, we are discussing the "purely economic" conditions of the epoch of finance capital as an historically concrete epoch of the beginning of the twentieth century, then the best reply to the lifeless abstractions of "ultra-imperialism" (which serve an exclusively reactionary aim: that of diverting attention from the depth of *existing* contradictions) is to contrast them with the concrete economic realities of present-day world economy. Kautsky's meaningless talk about ultra-imperialism encourages, among other things, the profoundly mistaken idea, which only brings grist to the mill of the apologists of imperialism, that the domination of finance capital *weakens* the unevenness and contradictions within world economy, whereas in reality it *strengthens* them.

Richard Calwer, in his little book, *An Introduction to World Economy*,* attempted to compile the chief, purely economic data necessary to understand, in a concrete way, the interrelations within world economy at the turn of the nineteenth century. He divides the world into five "main economic region": (1) Central Europe (the whole of Europe with the exception of Russia and Great Britain); (2) Great Britain; (3) Russia; (4) Eastern Asia; (5) America. He includes the colonies in the "regions" of the states to which they belong and "puts aside" a few countries not distributed according to regions, such as Persia, Afghanistan and Arabia in Asia, Morocco and Abyssinia in Africa, *etc.* (See table on p. 199. —*Ed.*)

We observe three regions with highly developed capitalism (with a high development of means of communication, trade and industry): the Central European, the British, and the American. Among them are three states which dominate

*Richard Calwer, *Einfuhrung in die Weltwirtschaft*, Berlin, 1906, pp. 3-12, 16-21, 26, 35, 63, 68, 72.

the world: Germany, Britain, the United States. Imperialist rivalry and the struggle between these countries have become very keen because Germany has only an insignificant area and few colonies; the creation of "Central Europe" is still a matter for the future, and it is being born in the midst of desperate struggles. For the moment the distinctive feature of all Europe is political disintegration. In the British and American regions, on the contrary, political concentration is very highly developed, but there is a tremendous disparity between the immense colonies of the former and the insignificant colonies of the latter. In the colonies, capitalism is only beginning to develop. The struggle for South America becomes more and more bitter.

Here is a summary of the economic data he gives on these regions:

Principal Econ. Regions of the World	Area (in mill. sq. km.)	Pop. (in millions)	Transport			Industry		
			Railways (in thous. km.)	Merch. fleet (in mill. tons)	Trade Imp. and Exp. (in bill. Mks.)	Yearly Output of Coal (in mill. tons)	Output of Pig Iron (in mill. tons)	No. of Cotton Spindles (in mills.)
1. Cent. European	27.6 (23.6)*	388 (146)	204	8	41	251	15	26
2. British ..	28.9 (28.6)	398 (355)	140	11	25	249	9	51
3. Russian ..	22.	131	63	1	3	16	3	7
4. East. Asian ..	12.	389	8	1	2	8	0.02	2
5. American ..	30.	148	379	6	14	245	14	19

There are two regions where capitalism is poorly developed: Russia and Eastern Asia. In the former the density of population is low, in the latter it is very high; in the former, political concentration is high, in the latter it does not exist. The

*The figures in parentheses show the area and population of the colonies.

partition of China has only just begun, and the struggle for it between Japan, the U.S.A., *etc.*, is continually gaining in intensity.

Compare this reality, the vast diversity of economic and political conditions, the extreme disparity in the rate of growth of the various countries, the frenzied struggles among the imperialist states, with Kautsky's stupid little fable about "peaceful" ultra-imperialism. Is this not the reactionary attempt of a frightened petty-bourgeois to hide from stern reality? Do not the international cartels, which seem to Kautsky to be the embryos of "ultra-imperialism" (as the manufacture of tablets in a laboratory "might" seem to be ultra-agriculture in embryo) present an example of the division and the redivision of the world, the transition from peaceful division to non-peaceful and vice versa? Is not American and other financial capital, which peacefully divided up the whole world, with Germany's participation (for instance in the international rail syndicate, or in the international mercantile shipping trust) now *re-dividing* the world on the basis of a new alignment of forces which are being changed by methods altogether *non*-peaceful?

Finance capital and the trusts are aggravating instead of diminishing the differences between the rates of development of the various parts of world economy. When the alignment of forces is changed, how else, *under capitalism*, can a solution of the contradictions be found, except through *force*?

Railway statistics provide remarkably exact data on the different rates of growth of capitalism and finance capital in world economy.* In the last decades of imperialist development, the total length of railways has changed as follows:

RAILROADS

(In Thousands of Kilometres)

	1890	1913	Increase	
Europe	224	346	122	
United States	268	411	148	
Colonies (total) ..	82	210	128	
Independent or semi-dependent states of Asia and America	43	125 137	347 94	222
Total	617	1,104	487	

Statistisches Jahrbuch fur das Deutsche Reich, 1915, Sup-

The development of railways has been most rapid in the colonies and in the independent (and semi-independent) states of Asia and America. It is known that here the finance capital of the four or five biggest capitalist states reigns fully. Two hundred thousand kilometres of new railway lines in the colonies and in the other countries of Asia and America represent more than 40 billion marks in capital, newly invested on particularly advantageous terms, with special guarantees of a good return, with profitable orders for steel mills, *etc., etc.*,

Capitalism is growing most rapidly in the colonies and in trans-oceanic countries. Amongst the latter *new* imperialist powers are emerging (Japan). The struggle of world imperialisms is becoming acute. The tribute levied by finance capital on the most profitable colonial and transoceanic enterprises is increasing. In dividing up this "booty," an exceptionally large share goes to countries which, as far as rate of development of productive forces is concerned, do not always stand at the top of the list. In the case of the greatest powers, considered with their colonies, the total length of railways (in thousands of kilometres) was as follows:

	1890	1913	Increase
United States	268	413	145
British Empire	107	208	101
Russia	32	78	46
Germany	43	68	25
France	41	63	22
Total	491	830	339

Thus, about eighty per cent of the total railways are concentrated in the hands of the five greatest powers. But the concentration of the *ownership* of these railways, the concentration of finance capital, is immeasurably more important; French and English millionaires, for example, own an enormous amount of stocks and bonds in American, Russian and other railways.

Thanks to its colonies, Great Britain has increased "its" network of railways by 100,000 kilometres, four times as much

plement, pp. 46-47; *Archiv fur Eisenbahnwesen* 1892; for 1890 minor details referring to the distribution of railways in the colonies of the respective countries had to be approximated.

as Germany. At the same time, it is known that the development of productive forces in Germany during this period, and especially the development of the coal and iron industries, has been incomparably more rapid than in England—not to mention France or Russia. In 1892, Germany produced 4.9 million tons of pig iron, and Great Britain 6.8 million tons; but in 1912 Germany produced 17.6 million tons against Great Britain's 9 million, an overwhelming superiority over England!* The question arises, is there, *under capitlism*, any means of eliminating the disparity between the development of productive forces and the accumulation of capital on the one side, and the partition of colonies and "spheres of influence" by finance capital on the other side—other than war?

*Cf. also Edgar Crammond, "The Economic Relation of the British and German Empires," in *Journal of the Royal Statistical Society*, July 1914, p. 777.

NEW DATA FOR CHAPTER VII

THE UNEVENNESS OF CAPITALIST DEVELOPMENT UNDER IMPERIALISM

COMPARATIVE LEVELS OF BASIC INDUSTRIES OF PRINCIPAL COUNTRIES

Countries	1880	1900	1913	1929	1932	1936
Great Britain (coal)	149.0	228.8	292.0	262.0	212.1	232.2
Germany ..	47.0	109.3	190.1	163.4	104.7	158.4[1]
United States (coal and lignite) ..	64.9	244.6	517.0	552.3	326.2	441.5
France ..	19.4	33.4	40.3	53.8	46.3	45.2
Japan (coal) ..	0.8	7.5	21.3	34.3	28.1	38.4
PIG IRON OUTPUT (million tons)						
Great Britain ..	7.7	9.0	10.3	7.7	3.6	7.8
Germany ..	2.5	7.5	19.3	13.4	3.9	15.3[2]
United States ..	3.8	13.8	31.0	43.3	8.9	31.5
France	1.7	2.7	5.2	10.4	5.5	6.2
Japan	—	0.02	0.2	1.5	1.5	2.9
STEEL OUTPUT (million tons)						
Great Britain ..	1.3	4.9	7.7	9.8	5.3	11.9
Germany	0.7	6.4	18.9	16.2	5.8	19.2[2]
United States ..	1.2	10.2	31.3	57.3	13.9	47.7
France	0.4	1.6	4.7	9.7	5.6	6.7
Japan (open hearth) ..	—	—	0.2	2.3	2.4	5.0
COTTON CONSUMPTION (million quintals)						
Great Britain ..	6.4	7.0	6.7	6.3	5.0	6.0
Germany	1.4	3.1	4.9	3.0	3.3	1.1[2]
United States ..	4.2	8.2	13.5	16.0	11.6	16.5
France	0.9	1.6	2.7	3.6	2.4	2.7
Japan	—	1.4	3.3	5.9	5.9	7.5

[1] Including the Saar.
[2] For second half-year only.

SOURCES: For 1880-1913, from *Annuaire Statistique, Stat. Generale de la France*, 1934; *National Federation of Iron and Steel Manufacturers*, 1932; figures from 1929 on, from *Inter-*

national Cotton Statistics, and *Statisical Yearbook of the League of Nations*, 1935-36; *Cotton*, 20, III, 1937; *Monthly Bulletin of Statistics*, League of Nations, No. 3, 1937.

UNEVENNESS OF DEVELOPMENT OF "OLD" AND "NEW" INDUSTRIES

AVERAGE ANNUAL OUTPUT OF CAPITALIST WORLD

Period	"Old" Industries					"New" Industries				
	Coal and lignite	Pig iron	Steel	Ships launched	Cotton consumption	Oil output	Aluminium	Nitrogen[9]	Artificial Silk	Automobiles
	Million tons			mill. reg. tons	mill. quintals	mill. tons	thousand tons			thousand units
1875-84	—	17	4	—	—	3.3	—	—	—	—
1885-94	533[1]	24	11	—	24.5[2]	9.2	—	—	—	—
1895-1904	735	39	28	2.0[3]	32.1[3]	20.3	6.4	—	2.3[4]	8[4]
1905-13	1133	63	57	2.5	43.6[3]	40.2	35.3	178.2	16.2[5]	263[7]
1914-18	1252	66	73	2.9	41.7	63.6	95.7	459.5	—	1241[8]
1919-23	1228	56	64	4.4	40.6	103.9	114.0	565.9	31.8	2534
1924-29	1398	80	95	2.3	50.9	161.7	209.9	1090.3	122.9	4957
1930-32	1186	57	66	1.7	45.3	169.2	211.0	1555.5[10]	218.4	3037
1933-36	1149	57	80	1.2	46.2	201.3	213.3	—	380.8	4302
	Indices (1913—100)									
1875-84	—	21	5	—	—	6	—	—	—	—
1885-94	34[1]	30	14	—	50[2]	18	—	—	—	—
1895-1904	55	49	37	59[3]	66[3]	39	10	—	14[4]	14[4]
1905-13	85	80	75	75	89[3]	78	56	51.5	100[5]	46[7]
1914-18	96	83	96	87	85	123	151	132.8	—	214[8]
1919-23	92	71	84	132	83	202	180	163.5	196	438
1924-29	104	101	124	69	104	314	332	315.0	759	858
1930-32	89	72	86	51	92	328	334	449.4[10]	1348	525
1933-36	86	72	104	36	94	390	338	—	2351	743

[1]Up to 1894—total for U.S.A., Great Britain, France and Germany. [2]Total for 15 countries. [3]From 1885 to 1904—total for 11 countries; from 1905—total for 12 countries. [4]1902. [5]1913. [6]Annual average for U.S.A. for period 1897-1904. [7]Annual average total for Great Britain, France, Germany, U.S.A., for 1907-13. [8]Output of U.S.A. and Canada. [9]Nitrogen compounds, exclusive of Chilian nitrates, reduced to units of pure nitrogen. [10]Agricultural years, from August 1 to July 31.

SOURCES: *Annuaire Statistique, Stat. Generale de la France*, 1931, 1932; *Statistical Yearbook*, L. of N., 1933-34; *Report of*

the National Federation of Iron and Steel Manufacturers, 1932, pp. 137-39 ; *British and Foreign Trade and Industry, Board of Trade*, 1908 ; *Lloyd's Register of Shipping*, 1924-25, 1930-31, 1936-37 ; *Statistisches Jahrbuch fur das Deutsche Reich*, 1915, 1928, 1931, 1932 ; *Wirtshaft des Auslandes*, 1900-27, Berlin, 1928 ; *Monthly Return of Foreign Trade of Japan*, 1929-32 ; *Die Kunstseide*, April 1933 ; *Motor Industry of Great Britain*, p. 79 ; *Facts and Figures of the Automobile Industry*, U.S. Chamber of Commerce, 1931 ; *Gesamtbericht Weltkonferenz*, Berlin 1930. Bd. II. S. 147 ; *Reports of the British Sulphate of Ammonia Federation*, 1928-29, 1931-32; *Monthly Bulletin of Statistics*, League of Nations, No. 3, 1937 ; *Cotton*, 20, III, 1937 ; *Pester Lloyd*, 25, II, 1937.

DISTRIBUTION OF WORLD COAL AND LIGNITE OUTPUT (%)

Countries.	1881-90	1891-1900	1901-10	1911-13	1914-18	1919-23	1924-29	1930-32	1933-36
United States	26.2	30.0	36.8	38.4	42.9	42.2	38.9	33.9	31.6
Great Britain	39.2	32.5	25.5	22.0	20.0	19.0	16.8	19.2	19.0
Germany[1]	17.6	18.4	19.0	20.3	19.7	18.7	21.0	21.6	22.7
France	5.1	4.8	3.6	3.2	1.9	3.2	4.6	5.3	4.7
Other countries	11.9	14.3	15.1	16.1	15.5	16.9	18.7	20.0	22.0
Whole capitalist world	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

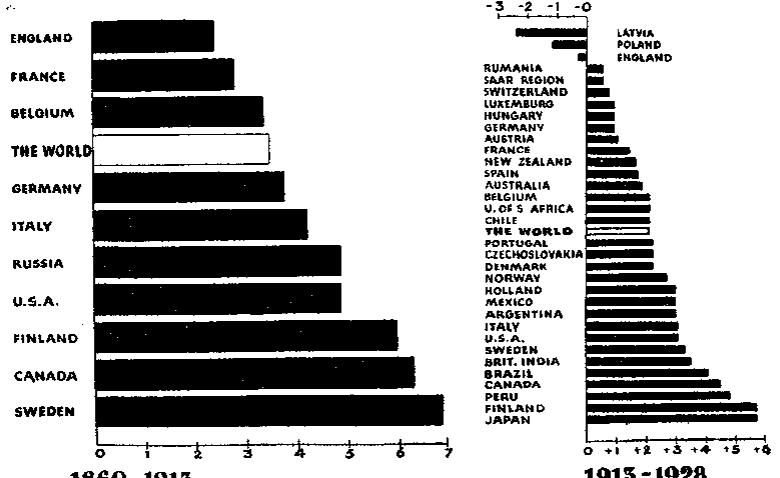
[1]Including the Saar.

SOURCES : *Annuaire Statistique, Stat. Generale de la France*, 1932, 1936. *Monthly Bulletin of Statistics*, League of Nations, No. 3, 1937. Figures not otherwise available were estimated by the "Konjunktur" Dept. of the Institute of World Economics and World Politics, Moscow.

UNEVEN DEVELOPMENT OF INDUSTRY IN PRINCIPAL COUNTRIES

Per cent of Increase or Decrease in Industrial Production

(Annual Average)



DISTRIBUTION OF WORLD PIG IRON OUTPUT (%)

Countries.	1887–90	1891–1900	1901–10	1911–13	1914–18	1919–23	1924–29	1930–32	1933–36
United States	26.0	32.0	40.9	39.6	52.2	55.3	47.2	37.9	37.3
Great Britain	36.2	26.3	18.0	13.4	13.8	11.1	7.9	8.7	11.1
Germany[1]	15.2	17.6	18.8	21.3	17.0	12.7	13.6	12.5	18.9
France	8.1	7.3	6.0	6.7	2.4	7.1	11.4	15.1	11.1
Other countries	14.5	16.8	16.3	19.0	14.6	13.8	19.9	25.8	21.6
Whole capitalist world	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1]Including the Saar.

SOURCES: Reports of the National Federation of Iron and Steel Manufacturers, 1932; *Annuaire Statistique, Stat. Generale de la France*, 1936; *Monthly Bulletin of Statistics*, L. of N., No. 3, 1937.

DISTRIBUTION OF WORLD STEEL OUTPUT (%)

Countries	1881–90	1891–1900	1901–10	1911–13	1914–18	1919–23	1924–29	1930–32	1933–36
United States	30.9	35.0	43.1	41.8	52.4	56.1	50.2	41.1	41.5
Great Britain	31.7	20.5	12.9	9.8	12.4	11.1	8.2	9.1	12.1
Germany[1]	17.6	22.5	22.1	23.0	19.4	13.6	14.1	12.9	17.4
France	6.5	5.8	5.3	6.2	2.7	5.6	8.7	11.6	6.8[2]
Italy	2.5	1.2	1.3	1.4	1.5	1.3	1.8	2.3	2.7
Japan	—	—	—	—	0.9	1.4	1.7	3.4	5.3
Other countries	10.8	15.0	15.3	17.8	10.7	10.9	15.3	19.6	12.8
Whole capitalist world	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1]Including the Saar.

SOURCES: Reports of the National Federation of Iron and Steel Manufacturers, 1932; *Monthly Bulletin of Statistics*, L. of N., No. 3, 1937.

DISTRIBUTION OF WORLD COTTON CONSUMPTION (%)

Countries	1883–91	1892–1901	1902–10	1911–13	1914–18	1919–23	1924–29	1930–32	1933–36
United States	24.3	24.8	26.6	27.0	38.0	36.2	33.8	28.1	28.7
Great Britain	33.4	24.1	20.2	19.8	19.3	16.1	14.1	11.9	11.3
Germany	9.0	9.9	10.1	9.9	—	5.2	6.7	6.7	6.8
Frnce	5.6	5.7	5.2	5.5	4.8	5.2	6.4	6.1	5.1
Italy	2.9	3.8	4.3	4.1	4.9	4.2	4.0	4.1	4.0[2]
Japan	0.5	3.7	5.1	7.0	10.3	12.4	12.6	14.8	14.6
India	6.2	8.3	8.5	7.4	9.1	9.2	7.5	10.6	10.2
China	—	—	—	—	—	—	5.1	8.9	7.5
Other countries	18.1	19.7	20.0	19.3	13.6	11.5	9.8	8.8	11.8
Whole capitalist world[1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1]Total for 24 countries. Figures otherwise not available estimated by the "Konjunktur" Dept. of the Institute of World Economics and World Politics, Moscow.

[2]As figures for 1935-36 are not available, the percentage has been computed on the basis of figures of 1933-34.

SOURCES: Tugan-Baranovsky, *The Russian Factory* (3rd Rus.. ed.), 1908; *Annuaire Statistique, Stat. Generale de la France*, 1932; *Statistical Abstract of the U.K.*; *Statistisches Jahrbuch fur das Deutsche Reich*; *Wirtschaft des Auslandes*, 1900-27; *Monthly Return of Foreign Trade of Japan*; *Industrie du Coton*, Societe des Nations, 1927; *International Cotton Statistics*; *Indian Yearbook*, 1933; *Cotton*, 20, III, 1937.

EXPORTS OF MANUFACTURES
(Million dollars)

Countries	Average for 1895-99	Average for 1909-13	Average for 1925-29	1932	1936
Great Britain	980.5	1750.3	2788.6	966.3	1003.6
Germany	566.6	1277.8	1913.6	1064.0	1136.7
France	383.5	704.3	1238.6	480.7	309.4
U.S.A.	185.0	597.0	2114.8	624.2	681.4
Japan	—	73.5	374.5	196.8	268.9
	Indices (average 1909-13—100)				
Great Britain	56.0	100.0	159.3	55.2	57.3
Germany	44.3	100.0	149.8	83.3	89.0
France	54.4	100.0	175.9	68.2	43.9
U.S.A.	31.0	100.0	354.2	104.6	114.1
Japan	—	100.0	509.5	267.7	365.9

SOURCES: Customs statistics of the respective countries.

DISTRIBUTION OF WORLD TRADE (%)

SPECIAL TRADE

Averages for five-year periods

Countries	1886-90	1900-04	1909-13	1925-29	1932	1936
World trade	100.0	100.0	100.0	100.0	100.0	100.0
Great Britain	20.2	18.6	16.2	13.6	13.4	15.4
Germany	11.6	12.8	13.6	8.7	9.3	9.1
U.S.A.	10.8	11.8	11.7	14.0	10.9	12.1
Japan	0.7	1.4	1.6	3.0	2.9	3.9
France	10.9	8.5	8.5	6.4	7.3	6.1
Colonies of 8 imperialist powers	—	17.3	19.3	24.3	—	—

SOURCES: For 1886-1913—Soltau, *Vierteljahrshefte zur Konjunkturforschung*, 1926, Erg. Heft; for 1925-29, 1932-36—*Statistical Yearbook*, L. of N., 1929, 1930-31, 1932-33; *Monthly Bulletin of Statistics of the League of Nations*, No. 4, 1934; Nos. 8-12, 1936; Nos. 1-3, 1937.

UNEVEN DEVELOPMENT OF JAPAN, U.S.A. AND GREAT BRITAIN

The rapid development of Japan referred to by Lenin continued in the post-war period, as can be seen from the following figures:

	Index of industrial production (1913—100)			Capacity of electric motors in industry (million h.p.)			Value of exports (million dollars)		
	Japan	U.S.A.	Great Britain	Japan	U.S.A.	Great Britain	Japan[3]	U.S.A.	Great Britain
1913	100	100	100	0.2[1]	8.8[1]	2.2	311	2448	2556
1925	222	151	87	1.8	26.1	7.6	910	4819	3734
1929	297	170	99	4.9	35.2	10.2	969	5157	3549
1936	450	150	115	—	—	—	463	2416	1297
%1929 to 1913	—	—	—	2450	400	464	312	211	139

[1] 1914.

[2] 1912, 1924, 1930.

[3] Japan managed to keep her exports at a comparatively high level during the crisis by resorting to colossal dumping

based on the depreciated yen; calculated in paper yen her export dropped from 1929 to 1933 only 13.2 per cent compared with a much sharper drop in the principal capitalist countries. Calculated in gold currency, however, her exports dropped 56 per cent.

SOURCES: *Vierteljahrshefte zur Konjunkturforschung, Die Industriewirtschaft*, Sonderheft 31, S. 64-66; *Monthly Bulletin of Statistics of the League of Nations*, No. 7-8, 1934; No. 3, 1937; *Statistical Yearbook*, L. of N., 1927, p. 128; 1928, p. 128; 1932-33, p. 168; *Financial and Economic Annual of Japan*, 1916, p. 57; 1923, p. 89; *Fourteenth Census of the U.S.*, 1920, Vol. VIII, "Manufactures," General Report, p. 122; *Statistical Abstract of the U.S.*, 1931, p. 815; 1933, p. 694; H. Butler, *The United Kingdom*, Washington, 1930, p. 127; *The Economist*, 11, III, 1933.

UNEVEN DEVELOPMENT OF DIFFERENT INDUSTRIAL REGIONS

One of the characteristic illustrations of the uneven development of industry in different regions in capitalist countries is the post-war spasmodic shifting of the United States cotton textile industry from the North to the South, with its cheap labour and the proximity of raw material. Before the war, two thirds of the total spindles in the United States were located in the North. Today, the positions of North and South have been reversed, as can be seen from the following table:

UNEVEN DEVELOPMENT IN COTTON INDUSTRY IN SOUTH AND NORTH U.S.A.

	Total number of spindles (in place)						Number of spindles (active)					
	New England States		Southern States		Total U.S.A.		New England States		Southern States		Total U.S.A.	
	millions	% of total	millions	% of total	millions	% of total	millions	% of total in place	millions	% of total in place	millions	% of total in place
1911	17.0	55.2	11.7	38.0	30.8	100.0	16.5	97.1	11.1	94.9	29.5	95.8
1922	18.9	51.2	16.1	43.6	36.9	100.0	17.9	94.7	15.9	98.8	35.7	96.7
1932	11.4	36.0	19.1	60.3	31.7	100.0	8.6	75.4	17.6	92.1	27.3	86.1
1935	10.5	34.0	19.4	62.8	30.9	100.0	7.8	74.3	18.1	93.3	26.7	86.4

SOURCES: *Statistical Abstract of the United States*, 1926, pp. 797-98; 1933, pp. 741-42; Kennedy, *Profits and Losses in Textiles*, N. Y., 1936, p. 235.

RAILWAYS

(thousand kilometres)

1913 (exclusive of railways within present boundaries of U.S.S.R.)		1930	changes compared with 1913	
308		344	+41	Europe
411		402	— 9	U. S. A.
194		288	+94	Colonies (total)
137	331	458	+127	Independent and semi-dependent states of Asia and America
		170	+33	
1,045		1,204		Total

In supplementing Lenin's tables with the figures for 1930, we first established clearly the composition of each group of countries in these tables by examining Lenin's original sources, *Statistisches Jahrbuch fur das Deutsche Reich*, 1915, and *Archiv fur Eisenbahnwesen*, 1892 and 1915. This grouping was used as the basis for the 1930 figures.

The computation of the distribution of railways for 1930 was made on the basis of figures taken from *Archiv fur Eisenbahnwesen*, H. I, 1933, *i.e.*, on the basis of the same sources used by Lenin. The computation:

1. Excludes the railways of the European part of the U.S.S.R. from the figures of European railways;

2. Excludes the railways of the Asiatic part of the U.S.S.R. from figures of colonial railways;

3. The railways of Iraq, Palestine, Syria, the Lebanon (parts of the former Ottoman Empire), Cuba and Korea were transferred from the group of "independent and semi-dependent states of Asia and America" to the "colonies" group. This group includes also the railways in other Japanese colonies such as Formosa and South Sakhalin and South Manchurian Railway, which were not included in Lenin's tables.

	1890 (thous. km.)	1913	Increase in period 1890-1913 (thous. km.)	1930[1]	Changes in period 1913-30
U. S. A.	268	413	+145	410	—3
British Empire	107	208	+101	279	+71
Russia	32	78	+46	—	—
Germany	43	68	+25	—	—
France	41	63	+22	84	+21
Total 5 Powers	491	830	+339	—	—
Japan	—	12	—	28	+16
Total 4 Powers[2]	—	696	—	801	+105

Whereas the length of railways of the *entire capitalist world* increased by 15 per cent from 1913 to 1930, that of *all the colonies* increased by 48 per cent and that of *independent and semi-dependent states in Asia and America* increased by 24 per cent in the same period.

Of the five imperialist powers indicated by Lenin, Russia has dropped out as a result of the October Revolution. Imperialist Germany lost her colonies as a result of the Versailles Treaty. In this period, however, another imperialist power has risen in importance, *viz.*, Japan. Today the U.S.A., the British Empire, France and Japan—the four biggest imperialist powers together with their colonies—possess 66.5 per cent of the total railway mileage in the capitalist world. In pursuit of her policy of colonial conquest on the continent of Asia, the young and aggressive imperialist power, Japan, has developed considerable railway construction both at home and in her old colonies, Korea, Formosa and South Sakhalin. During the past few years she has seized the railways of Manchuria and partly of North China. In Manchuria she is now feverishly engaged in the construction of strategic railways in preparation for war against the Soviet Union.

At the same time considerable railway construction was carried on in Kuomintang China in the period of 1934-36, financed mainly by British and also by German and French capital.

During the period of 1913 *to* 1930 *the unevenness in the*

[1]Within present boundaries, including mandate territories acquired by the British Empire and France from Germany and Turkey as a result of the war of 1914-18.

[2]United States, the British Empire, France and Japan.

development of railways became still more acute. Railway development in capitalist Europe has almost ceased since the war (only small sections are being built, and these are mainly of a strategic nature). In the United States the length of railways is continually decreasing. World imperialism in post-war years is building railways mainly in the colonies, semi-colonies and in dependent countries for the purpose of further facilitating the exploitation of these countries; but even in the colonies, railway construction is not proceeding on the same scale as before the war: *the rate of growth of railways has diminished considerably all over the capitalist world.*

In the U.S.S.R. hundreds and thousands of kilometres of new railways are annually being put into operation. (The length of railways in the Soviet Union increased from 58.5 thousand kilometres in 1913 to 85.0 thousand kilometres in 1937.)

SOURCES: For both railway tables: the figures for 1913 are taken from *Statistisches Jahrbuch fur das Deutsche Reich*, 1915, S. 47; for 1930 from *Archiv fur Eisenbahnwesen*, 1933, H. 1. S. 4–11, with certain corrections from *Statesmen's Year-book*. Figures on Japan and the Japanese colonies for 1913 are taken partly from *Financial and Economic Annual of Japan*, 1914; for 1930 they have been taken in full from *The Annual Report* for 1931, Department of Railways, Government of Japan.

CHAPTER VIII

PARASITISM AND THE DECAY OF CAPITALISM

We have now to examine another very important aspect of imperialism, to which, usually, too little attention is paid in the majority of discussions on this subject. One of the shortcomings of the Marxist, Hilferding, is that he took a step backward in comparison with the non-Marxist, Hobson. We refer to parasitism, inherent in imperialism.

As we have seen, the most deep-rooted economic foundation of imperialism is monopoly. This is capitalist monopoly, *i.e.*, monopoly which has grown out of capitalism, and exists in the general capitalist environment of commodity production and competition, in permanent and insoluble contradiction to this general environment. Nevertheless, like any monopoly, it inevitably gives rise to a tendency towards stagnation and decay. In proportion as monopoly prices become fixed, even temporarily, so the stimulus to technical, and consequently to all other progress, to advance, tends to disappear; and to that extent also the *economic* possibility rises of artificially retarding technical progress. For instance, in America a certain Owens invented a machine which revolutionised the manufacture of bottles. The German bottle-manufacturing cartel purchased Owen's patents, but pigeon-holed them and held up their practical application. Certainly, monopoly under capitalism can never completely, and for any length of time, eliminate competition on the world market (and this is one of the reasons why the theory of ultra-imperialism is absurd). Of course, the possibility of reducing cost of production and increasing profits by introducing technical improvements is an influence in the direction of change. Nevertheless, the *tendency* towards stagnation and decay, inherent in monopoly continues in turn to operate in individual branches of industry; in individual countries, for certain periods of time, it gains the upper hand.

The monopoly of ownership of very extensive, rich or well-situated colonies, works in the same direction.

Moreover, imperialism is an immense accumulation of

money capital in a few countries, which, as we have seen, amounts to 100 or 150 billions francs in securities. Hence the extraordinary growth of a class, or rather of stratum, of *rentiers*, i.e., persons who live by "clipping coupons," who take absolutely no part in any enterprise, and whose profession is idleness. The exportation of capital, one of the most essential economic bases of imperialism, still further isolates this rentier stratum from production and sets the seal of parasitism on the whole country living on the exploitation of the labour of several overseas countries and colonies.

> In 1893—writes Hobson—the British capital invested abroad represented about 15 per cent of the total wealth of the United Kingdom.*

Let us remember that by 1915 this capital had increased about two and a half times.

> Aggressive imperialism—says Hobson further on—which costs the tax-payer so dear, which is of so little value to the manufacturer and trader.... is a source of great gain to the investor.... The annual income Great Britain derives from commissions on her whole foreign and colonial trade, import and export, is estimated by Sir R. Giffen [the statistician] at £18,000,000 for 1899, taken at 2½ per cent, upon a turnover of £800,000,000.†

Considerable as this sum is, it cannot entirely explain the aggressive imperialism of Great Britain. This is explained by the 90 to 100 million pounds revenue from "invested" capital, the income of the rentier class.

The income of the rentiers is *five times* as great as the revenue obtained from the foreign trade of the greatest "trading" country in the world! This is the essence of imperialism and imperialist parasitism.

For this reason the term "rentier state" (*Rentnerstaat*) or usurer state is coming into general use in the economic literature on imperialism. The world has become divided into a handful of usurer states and a vast majority of debtor states.

> The premier place among foreign investments—says Schulze-Gaevernitz—is taken by those invested in politically dependent, or closely allied countries. England makes loans to Egypt, Japan, China, South America. Her

*Hobson, *op. cit.*, p. 59.
†*Ibid.*, pp. 62-63.—*Ed.*

war fleet plays the part of sheriff in case of necessity. England's political power protects her from the anger of her debtors....‡

Sartorius von Waltershausen in his work, *The National Economic System of Foreign Capital Investments*, cites Holland as the model rentier state, and points out that England and France are now becoming such.* Schilder believes that five industrial nations are "definitely avowed creditor nations": England, France, Germany, Belgium and Switzerland. Holland does not appear on this list simply because it is "less industrialised."† The United States is the creditor only of other American countries.

> England—writes Schulze-Gaevernitz—is gradually being transformed from an industrial state into a creditor state. Notwithstanding the absolute increase in industrial production and exports, the relative importance of revenue from interest and dividends, profits from issues, commissions and speculation is on the increase, when the whole national economy is taken into account. In my opinion it is this fact which is at the economic base of imperialist expansion. The creditor is more firmly tied to the debtor than the seller is to the buyer.§

In regard to Germany, A Lansburgh, the editor of *Die Bank*, in 1911, in an article entitled, "Germany As A Rentier State," wrote the following:

> People in Germany like to sneer at the inclination observed in France for people to become rentiers. But they forget meanwhile that, as far as the middle class is concerned, the situation in Germany is becoming more and more like that in France **

The rentier state is a state of parasitic decaying capitalism, and this circumstance cannot fail to be reflected in all the social-political conditions of the affected countries in general, and particularly in the two fundamental tendencies in the working class movement. To demonstrate this as clearly as possible, we shall let Hobson speak,—a most "reliable" witness, since he cannot be suspected of partiality for "orthodox Marxism"; moreover, he is an Englishman who is very

‡Schulze-Gaevernitz, *Britischer Imperialismus*, p. 320.
*Sartorius von Waltershausen, *Das volkswirtschaftliche System*, IV.
†Schilder, *op. cit.*, I, pp. 392-393.
§Schulze-Gaevernitz, *Britischer Imperialismus*, p. 122.
**Die Bank*, 1911, I, pp. 10, 11.

well acquainted with the situation in the country which is richest in colonies, in finance capital, and in imperialist experience.

With the Boer War fresh in his mind, Hobson describes the connection between imperialism and the interests of the financiers, their growing profits from armaments, supplies, *etc.*, and writes as follows:

> While the directors of this definitely parasitic policy are capitalists, the same motives appeal to special classes of the workers. In many towns most important trades are dependent upon government employment or contracts; the imperialism of the metal and shipbuilding centres is attributable in no small degree to this fact.*

In this writer's opinion there are two circumstances which weakened the power of the ancient empires: (1) "economic parasitism" and (2) the formation of armies composed of subject peoples.

> There is first the habit of economic parasitism, by which the ruling state has used its provinces, colonies, and dependencies in order to enrich its ruling class and to bribe its lower classes into acquiescence.†

And we would add that the economic possibility of such corruption, whatever its form may be, requires monopolistically high profits.

As for the second circumstance, Hobson writes:

> One of the strangest symptoms of the blindness of imperialism is the reckless indifference with which Great Britain, France and other imperial nations are embarking on this perilous dependence. Great Britain has gone farthest. Most of the fighting by which we have won our Indian Empire has been done by natives; in India, as more recently in Egypt, great standing armies are placed under British commanders; almost all the fighting associated with our African dominions, except in the southern part, has been done for us by natives‡

The prospect of a dismemberment of China evokes the following economic evaluation by Hobson:

> The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the south of England, in the Riviera, and in

*Hobson, *op. cit.*, p. 103.
†*Ibid.*, p. 205.
‡*Ibid.*, p. 144.

the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a large body of personal servants and workers in the transport trade and in the final stages of production of the more perishable goods: all the main arterial industries would have disappeared, the staple foods and manufactures flowing in as tribute from Asia and Africa....

We have foreshadowed the possibility of even a larger alliance of Western states, a European federation of great powers which, so far from forwarding the cause of world-civilisation, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which they support great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. Let those who would scout such a theory as undeserving of consideration examine the economic and social condition of districts in Southern England today which are already reduced to this condition, and reflect upon the vast extension of such a system which might be rendered feasible by the subjection of China to the economic control of similar groups of financiers, investors, and political and business officials, draining the greatest potential reservoir of profit the world has ever known, in order to consume it in Europe. The situation is far too complex, the play of world-forces far too incalculable, to render this or any other single interpretation of the future very probable; but the influences which govern the imperialism of Western Europe today are moving in this direction, and, unless counteracted or diverted, make towards some such consummation.*

Hobson is quite right. If the forces of imperialism were not counteracted they would lead to just that. He correctly appraises the significance of a "United States of Europe," in the present, imperialist stage. But it must be added that *even within* the labour movement, the opportunists, who for the moment have been victorious in most countries, are "working" systematically and undeviatingly in this very direction. Imperialism, which means the partition of the world and the exploitation not of China alone; which means monopolistically high profits for a handful of very rich countries, creates the economic possibility of corrupting the upper strata of the proletariat, and thereby fosters, gives form to and strengthens

Ibid., pp. 336, 385, 386.

opportunism. However, we must not lose sight of the forces which counteract imperialism generally and opportunism in particular, which, naturally, the social-liberal Hobson does not see.

The German opportunist Gerhard Hilderbrand, who at one time was expelled from the party for defending imperialism, but would today make a good leader of the so-called "Social-Democratic" Party of Germany, serves as a good supplement to Hobson by his advocacy of a "United States of Western Europe" (without Russia) for the purpose of "joint" action against the African Negroes, the "great Islamic movement"; for the "maintenance of a powerful army and navy" against a "Sino-Japanese coalition," *etc.*†

The description of "British imperialism" in Schulze-Gaevernitz's book reveals the same parasitical traits. The national income of Great Britain approximately doubled between 1865 and 1898, while the income "from abroad" increased ninefold in the same period. While the "merit" of imperialism is that it "trains the Negro to work," (not without coercion, of course....) the "danger" of imperialism is that Europe

> will shift the burden of physical toil—first agricultural and mining, then heavy industrial labour—on to the coloured peoples, and itself be content with the role if rentier, and in this way, perhaps, pave the way for the economic and later, the political emancipation of the coloured races.

An increasing proportion of land in Great Britain is being taken out of cultivation and used for sport, for the diversion of the rich. It is said of Scotland—the most aristocratic place for hunting and other sport—that it "lives on its past and Mr. Carnegie" (an American billionaire). Britain annually spends £14,000,000 on horse-racing and fox-hunting alone. The number of rentiers in Great Britain is about a million. The percentage of producers among the population is becoming smaller.

	Population of England and Wales	No. of workers employed in basic industries (in millions)	Per cent of the population
1851 ..	17.9	4.1	23
1901 ..	32.5	5.0	15

†Gerhard Hildebrand, *Die Erschutterung der Industrieherrschaft und des Industriesozialismus*, Jena, 1910, p. 229 *ff.*

And, in speaking of the British working class, the bourgeois student of "British imperialism at the beginning of the twentieth century" is obliged to distinguish systematically between the "*upper stratum*" and the "*lower proletarian stratum proper.*" The upper stratum furnishes the main body of co-operators, of trade unionists, of members of sporting clubs and of numerous religious sects. The right to vote, which in Great Britain, is still "*sufficiently restricted to exclude the lower proletarian stratum* proper," is adapted to their level! In order to present the condition of the British working class in the best light, only this upper stratum—which constitutes only a *minority* of the proletariat—is generally spoken of. For instance: "The problem of unemployment is mainly a London problem and that of the lower proletarian stratum, *with whom politicians are little concerned....*"* It would be better to say: with whom the bourgeois politicians and the "Socialist" opportunists are little concerned.

Another one of the peculiarities of imperialism connected with the facts that we are describing, is the decline in emigration from imperialist countries, and the increase in immigration (influx of workers and transmigration) to these countries from the more backward countries, where wages are lower. As Hobson observes, emigration from Great Britain has been declining since 1884. In that year the number of emigrants was 242,000, while in 1900 the number was 169,000. German emigration reached its highest point in the decade 1881-1890 with a total of 1,453,000 emigrants. In the following two decades it fell to 544,000 and 341,000. On the other hand there was an increase in the number of workers entering Germany from Austria, Italy, Russia and other countries. According to the 1907 census, there were 1,342,294 foreigners in Germany, of whom 440,800 were industrial workers and 257,329 agricultural workers.‡ In France, the workers employed in the mining industry are "in great part" foreigners: Polish, Italian and Spanish.† In the United States, immigrants from Eastern and Southern Europe are engaged in the most poorly paid occupations, while American workers provide the highest

*Schulze-Gaevernitz, *Britischer Imperialismus*, pp. 246, 301, 317, 323, 324, 361. (Lenin's italics.—*Ed.*)

‡*Statistik des Deutschen Reiches*, Vol. 211, p. 306; Supplement, p. 178.

†Hans Henger, *Die Kapitalsanlage der Franzosen in Wertpapieren*, 1913, p. 75.

percentage of foremen and of the betterpaid workers.‡ Imperialism has the tendency to create privileged sections even among the workers, and to separate them from the main proletarian masses.

It must be observed that in Great Britain the tendency of imperialism to split the workers, to strengthen opportunism among them, and cause temporary decay in the working class movement, revealed itself much earlier than the end of the nineteenth and beginning of the twentieth centuries; for two important distinguishing features of imperialism were observed in Great Britain in the middle of the nineteenth century, *viz.*, vast colonial possessions and a monopolist position in world markets. For several decades Marx and Engels systematically traced this connection between opportunism in the labour movement and the imperialist features of British capitalism. For example, on October 7, 1858, Engels wrote to Marx:

> the British working class is actually becoming more and more bourgeois, and it seems that this most bourgeois of all nations wants to bring matters to such a pass as to have a bourgeois aristocracy and a bourgeois proletariat *side by side* with the bourgeoisie. Of course this is to some extent justifiable for a nation which is exploiting the whole world.

Almost a quarter of a century later, in a letter dated August 11, 1881, Engels speaks of the "very worst English.... [trade unions.—*Ed.*] which allow themselves to be led by men sold to, or at least paid by the middle class."* In a letter to Kautsky, dated September 12, 1882, Engels wrote:

> You ask me what the English workers think of the colonial policy? The same as they think about politics in general. There is no labour party here, there are only conservatives and liberal radicals, and the workers enjoy with them the fruits of the British world market and colonial monopoly.† [Engels sets forth the same ideas in

‡Isaac A. Hourwich, *Immigration and Labor*, New York, 1913.

**Der Briefwechsel zwischen Friedrich Engels und Karl Marx*, Vol. II, p. 290; Vol. IV, p. 433. (The passage quoted from letter of Aug. 11, 1881, was written by Engels in English. *Ed.*)

†Karl Kautsky, *Sozialismus und Kolonialpolitik*, Berlin, 1907, p. 79; Kautsky wrote this brochure in those infinitely remote days when he was still a Marxist.

his preface to the second edition of *The Condition of the Working Class in England, published in* 1892.]‡

Here causes and effects are clearly shown. Causes: (1) exploitation of the whole world by this country; (2) its monopolistic position in the world market; (3) its colonial monopoly. Effects: (1) bourgeoisification of a part of the British proletariat; (2) a part of the proletariat permits itself to be led by people who are brought by the bourgeoisie, or who at least are paid by it. The imperialism of the beginning of the twentieth century completed the partition of the world by a very few states, each of which today exploits (in the sense of drawing super-profits from) a part of the world only a little smaller than that which England exploited in 1858. Each of them, by means of trusts, cartels, finance capital, and the relations between debtor and creditor, occupies a monopoly position on the world market. Each of them enjoys to some degree a colonial monopoly. (We have seen that out of 75 million square kilometres of *total* colonial area in the world, 65 million, or 86 per cent, is concentrated in the hands of six powers; 61 million, or 81 per cent, belongs to three powers.)

The distinctive feature of the present situation is the prevalence of economic and political conditions which could not but intensify the irreconcilability between opportunism and the general and basic interests of the labour movement. Imperialism has grown from an embryo into a dominant system; capitalist monopolies occupy first place in national economics and politics; the partition of the world has been completed. On the other hand, instead of an undivided monopoly by Britain, we see a few imperialist powers fighting among themselves for the right to share in this monopoly, and this struggle is characteristic of the whole period of the beginning of the twentieth century.

Opportunism cannot now triumph completely in the labour

‡In this introduction Engels wrote, among other things, as follows: "During the period of England's industrial monopoly the English working class has, to a certain extent, shared in the benefits of the monopoly. These benefits were very unequally parcelled out amongst them; the privileged minority pocketed most, but even the great mass had at least a temporary share now and then.... With the breakdown of that monopoly, the English working class will lose that privileged position."

movement of any country for many decades as it did in England in the second half of the nineteenth century, but in several countries it has finally grown ripe, over-ripe and rotten, and has become completely merged with bourgeois policy as "social-chauvinism."*

*The Russian social chauvinism of Messrs. Potresov, Chkhenkeli, Maslov, *etc.*, in its open as well as its concealed form (Messrs. Chkheidze, Skobelev, Axelrod, Martov, *etc.*) also grew out of the Russian variety of opportunism, liquidationism.

NEW DATA FOR CHAPTER VIII

Even to this day, *Owens' bottle-making machine*, to which Lenin refers, although greatly improved during the last 15 to 20 years, is employed only to a comparatively limited extent, and its wider employment is still hindered by monopolies. By a special convention the European Bottle Syndicate regulates in a number of countries the transition from hand work to machine methods.

In Germany, the Compulsory Cartelisation Act of February 1934 prohibited the installation of new automatic glass-blowing machines and presses until the end of 1935.

SOURCES: *Kartellrundschau*, H. 3, 1934, S. 187; E. F. Solovyov, *Reconstruction of Fixed Capital in Glass and Porcelain Industry* (Russ.), Moscow-Leningrad, 1926, pp. 26-30; Dr. Ing. L. Springer, *Die Fortschritte der Glastechnik in den letzten Jahrzehnten* (Russ. ed.), Moscow, 1928, p. 193.

INCREASE IN THE AMOUNT OF SECURITIES IN GREAT BRITAIN

There are no precise figures of the amount of securities in circulation in Great Britain in the post-war period, but there is no doubt that it has increased enormously. This is evidenced by the fact that the amount of internal government loan bonds alone (mainly war loan) has increased by nearly £7,000,000,000. This alone would account for an increase of 1½ to 2 times at least. In addition, however, during 1910 to 1932, the issues of new home (private and municipal) securities alone amounted to 2 to 2½ billion pounds sterling. Hence, even if allowance is made for depreciation and the writing off of capital, the total amount of securities now in circulation should be two and a half times the amount given by Lenin in 1910.

SOURCES: *Statistical Abstract for the United Kingdom*, 1934, p. 146; *The Economist*, 1934.

GREAT BRITAIN'S INCOME FROM FOREIGN TRADE AND INVESTMENTS

(£000,000)

	1899	1912	1929	1932
Income from foreign trade ..	18	33	51	28
Income from foreign investments	90-100	176	250	145
Income from foreign investments plus income from short-term investments abroad, bankers' and brokers' commissions, etc. ..	—	—	378	—

The income from foreign trade for 1912, 1929 and 1932 is computed at the same rate (2.5 per cent for the entire foreign trade turnover) which served as the basis for estimating income in the figures given by Lenin for 1899.

The figures show that while income from foreign investments in 1899 exceeded the income from foreign trade by £70,000,000 to £80,000,000, this difference increased to £200,000,000 in 1929, exclusive of income from short-term investments abroad, bankers' and brokers' commissions, etc. If the latter is included, the difference will amount to £327,000,000.

SOURCES: 1899 figures are quoted from Lenin. Income from foreign investments for 1912 are computed on the basis of figures given by Chas. K. Hobson in his *Export of Capital*, 1927. Figures for 1929 to 1932 are taken from the *Board of Trade Journal*, 18, II, 1932, p. 218 and 23, II, 1933, p. 295. The more complete figures on income from foreign investments for 1929 are taken from Clark's "The National Income in 1932," *The Economic Journal*, June 1933, p. 205.

UNITED STATES INCOME FROM FOREIGN TRADE AND INVESTMENTS

Prior to the World War the United States was a debtor country. Foreign capital invested in the United States in 1913 amounted to $7,000,000,000, while American capital invested abroad amounted to $2,600,000,000. As a result, the adverse balance of the United States on the payment of interest and dividends in the period from 1896 to 1914 amounted on the average to $160,000,000 per annum.

After the war the United States rose to second place among the capital exporting countries and came close to Great

Britain in the amount of foreign investments (see table on page 146). Income from American investments abroad has greatly increased; it considerably exceeds United States payments to other countries and exceeds several fold the income from foreign trade, as can be seen from the following table.

	1922	1929	1932
	($000,000)		
Income from foreign trade (2.5% of the turnover)	174	241	73
Income from foreign investments			
a) exclusive of war debt payments ..	530	979	461
b) including war debt payments ..	756	1,186	560
Interest and dividends paid by U.S. to other countries[1]	120	414	68

[1]The bulk of the interest and dividend payments by U.S. speculative short-term investments by foreign capitalist investors in American securities. The large sum of payments under this heading in 1929 reflects the peak of the stock market speculation fever that was reached before the crash of October 1929.

SOURCES: *The Annalist*, 27, VII, 1934, p. 123; National Industrial Conference Board, "The International Financial Position of the United States," 1929, p. 55.

GROWTH OF RENTIERS' INCOMES

INTEREST AND DIVIDENDS PAID IN THE U.S.A.

(Including banks, trust companies, also U.S. federal gov't and New York City gov't interest payments)

Year	Billion dollars	Index (1914=100)	Index of National income (1913=100)
1913 ..	1.8	100	100
1917 ..	3.4	189	158
1922 ..	3.4	189	183
1929 ..	6.9	383	246
1931 ..	8.1	450	162
1932 ..	7.0	389	117
1933 ..	6.3	350	124
1934 ..	6.1	339	141

PAYMENTS OF INTERNAL PRIVATE AND GOVERNMENT DEBTS IN THE U.S.A.

(including redemption)

1913-14	1921	1929	1932-33
	($000,000)		
2,143	4,953	7,642	7,910
	(% of national income)		
6	7	9	20

INCOME FROM SECURITIES IN GREAT BRITAIN

1913-14	1924-25	1930-31	1931-32
	(£000)		
128,416	297,628	363,221	343,743
	(% of national income)		
5.7	8.3	9.2	10.0

SOURCES: For U.S.A.—*Conference Board Bulletin*, April 1935; *The World Almanac and Book of Facts*, 1936, p. 287; E. Clark, *The Internal Debts of the United States*, 1933, p. 13. Figures of the national income of Great Britain are based on the estimates of Stamp and Bowley (*cf.* Woytinsky, "Die Welt in Zahlen," Bd. I, S. 161, Berlin, 1925); figures for 1924 are taken from Colin Clark, *The National Income*, 1924-31, p. 72, and *Statistical Abstract for the United Kingdom*, 1934, pp. 174-77.

INCOME FROM FOREIGN INVESTMENTS AND TOTAL NATIONAL INCOME OF U.S.A.

Years	National Income		Income from foreign investments[1]			
			Not including payments on war debts		Including payments on war debts (post-war years)	
	Billion dollars	Index 1915=100	Million dollars	Index 1915=100	Million dollars	Index 1915=100
1915 ..	34.5	100	160	100	160	100
1922 ..	61.7	179	530	331	756	478
1929 ..	83.0	241	978	612	1,128	705
1932 ..	39.4	114	456	283	523	333
1934 ..	47.6	132	493	308	494	309

[1]Including income from short-term investments.

SOURCES: National income: *Conference Board Bulletin*, April 1935; figures of income from foreign investments for 1915 and 1922—from "The International Financial Position of the United States," National Industrial Conference Board, pp. 36, 55. For other years, *Annalist*, July 27, 1934, p. 123; *Balances of Payments*, L. of N., 1935, p. 157.

INCOME FROM FOREIGN INVESTMENTS AND TOTAL NATIONAL INCOME OF GREAT BRITAIN

The more rapid increase of the incomes "from abroad" of the rentier class compared with the total national income is observed also in the post-war years. Basing our computation on Colin Clark's calculations (absolute figures), the respective changes in the national income and the "net income from abroad" may be presented as follows:

Year	Index of national income	Index of "net income from abroad"
1924	100.0	100.0
1926	102.7	125.9
1927	103.4	148.7
1928	107.3	149.2
1929	111.4	155.1
1930	109.8	139.5

But Clark manifestly underestimates the "net income from abroad," as is proved by the Board of Trade figures of balance of payments, according to which the net income from foreign investments, short-term loans and commissions amounted to £315,000,000 in 1929 and to £275,000,000 in 1930, whereas Clark gives the figures of £287,000,000 and £258,000,000 for the respective years. It is interesting to note that in his endeavour to arrive at a more complete estimate of the net income from abroad Clark gives for 1929 the huge figure of £378,000,000, compared with a national income of £3,996,000,000 for the same year.

SOURCES: Colin Clark, *The National Income* 1924-31, London, 1932, p. 72 and his article "The National Income in 1932," in *The Economic Journal*, June 1933, p. 205; *Board of Trade Journal*, 18, II, 1932, pp. 218-19.

DECLINE IN PERCENTAGE OF PRODUCTIVELY EMPLOYED POPULATION TO TOTAL POPULATION IN ENGLAND

Year	Population (millions)	No. of workers in basic industries	Per cent of total population	No. of workers & office employees in basic industries including chemical industry (millions)	Per cent of total population
1851 ..	17.9	4.1	23	—	—
1901 ..	32.5	4.9	15	—	—
1929 ..	39.6	5.4	13.6	5.6	14.1
1932 ..	40.2	4.6	11.4	4.8	11.9

The difficulty in supplementing Lenin's tables lay in determining the industries he included under the heading "basic industries." In our computations we took into account the economic importance of the various industries and the number of workers employed in them. We were able to single out seven industries: mining, metal industries, woodworking, building, textile, clothing and food industries. The metal industries include electrical engineering and the automobile industry.

Hence the figures for 1929 and 1932 do not include one of the new industries, viz., the chemical industry, which played a small part in the economy of the country in the second half of the nineteenth century. In view of the increased importance of this industry in the twentieth century, and particularly during the post-war period, we included in the table parallel figures for 1929 and 1932 which include the chemical industry. Owing to the relatively low level of unemployment in 1851 and 1901 and the sharp increase in unemployment in the post-war years, we have given, for 1929 and 1932, only the number of employed workers and office employees in the respective industries, and not the total number of workers and office employees in these occupations as is the case with the figures for 1851 and 1901.

Furthermore, it was necessary to exclude Scotland from the data furnished by the Ministry of Labour, since Lenin's figures only cover England and Wales without Scotland and Ireland. (The inclusion of Northern Ireland does not materially affect the results.)

SOURCES: Figures for 1851 and 1901 are quoted from Lenin; figures for 1929 and 1932 are computed by the "Konjunktur" Dept. of the Institute of World Economics and World Politics, Moscow. Owing to the absence of census figures for these years we utilised the unemployment insurance figures published in *The Ministry of Labour Gazette*. Population figures are taken from the *Statistical Abstract for the United Kingdom*, 1936, pp. XII-XIII, 4-5.

CHAPTER IX

CRITIQUE OF IMPERIALISM

By the critique of imperialism, in the broad sense of the term, we mean the attitude of the different classes of society towards imperialist policy in connection with their general ideology.

The enormous dimensions of finance capital concentrated in a few hands and creating an extremely extensive and close network of ties and relationships, which subordinates to itself not only the bulk of the medium and small, but even very smallest capitalists and petty owners, on the one hand, and an intense struggle waged against other national-state groups of financiers for the partition of the world and domination over other countries, on the other hand—cause the possessing classes to go over as one to the side of imperialism. The signs of the times are a "general" enthusiasm regarding its prospects, a passionate defence of imperialism, and every possible camouflage of its real nature. The imperialist ideology is also permeating the working class. There is no Chinese Wall between it and the other classes. The leaders of the present so-called "Social-Democratic" Party of Germany are justly called social-imperialists; that is, Socialists in words and imperialists in deeds; and as early as 1902, Hobson noted the existence of "Fabian imperialists" in England who belonged to the opportunist "Fabian Society."

The bourgeois scholars and publicists usually present their defence of imperialism in a somewhat veiled form, obscure the fact that it is in complete domination, and conceal its deep roots; they strive to concentrate attention on special aspects and characteristics of secondary importance, and do their utmost to distract attention from the main issue by advancing absolutely ridiculous schemes for "reform," such as police supervision of the trusts or banks, *etc.* Less frequently, cynical and frank imperialists speak out and are bold enough to admit the absurdity of the idea of "reforming" the fundamental features of imperialism.

We will give an example. The German imperialists

attempt, in the *Archives of World Economy*, to trace the movements for national emancipation in the colonies, particularly, of course, in colonies other than German. They note the ferment and protest movements in India; the movement in Natal (South Africa), in the Dutch East Indies, etc. One of them, commenting on an English report of the speeches delivered at a conference of subject peoples and races, held on June 28-30, 1910, consisting of representatives of various peoples under foreign domination in Africa, Asia and Europe, writes as follows:

> We are told that we must fight imperialism; that the dominant states must recognise the right of subjugated peoples to self-government; that an international tribunal should supervise the fulfilment of treaties concluded between the great powers and the weaker peoples. Beyond the expression of these pious hopes the conference does not go. We see no trace of a realisation of the fact that imperialism is indissolubly bound up with capitalism in its present form and that therefore (!!) it is hopeless to fight directly against imperialism, except perhaps if the fight is confined to protests against certain of its most hateful excesses.*

Since reforming the bases of imperialism is an illusion, a "pious hope," since the bourgeois representatives of oppressed nations do not go "further," the bourgeois representatives of the oppressing nations do go "further," but backward, to servility to imperialism, concealed by a pretence to "science." "Logic," indeed!

The question as to whether it is possible to change the bases of imperialism by reforms, whether to go forward to a further aggravation and accentuation of the contradictions it engenders, or backwards towards allaying them, is a fundamental question in the critique of imperialism. The fact that the political characteristics of imperialism are reaction all along the line and increased national oppression, in connection with oppression by the financial oligarchy and the elimination of free competition, has given rise to a petty-bourgeois-democratic opposition to imperialism in almost all imperialist countries since the beginning of the twentieth century. And the break with Marxism made by Kautsky and the broad international Kautskyist tendency consists in the very fact that Kautsky not only did not trouble to, and did not know how

Weltwirtschaftliches Archiv, Vol. II, 1913, pp. 194-195.

to, take a stand against this petty-bourgeois reformist opposition, which is reactionary in its economic basis, but, on the contrary, in practice became identified with it.

In the United States, the imperialist war waged against Spain in 1898 gave rise to an "anti-imperialist" opposition by the last of the Mohicans of bourgeois democracy. They declared this war "criminal"; they denounced the annexation of foreign territories as a violation of the Constitution, and decried the "jingo treachery" by means of which Aguinaldo, leader of the native Filipinos, was deceived (he was promised liberty for his country, but later American troops were landed there and the Philippines were annexed). They quoted the words of Lincoln:

> When the white man governs himself, that is self-government; but whom he governs himself and also governs another man, that is more than self-government —that is despotism.*

But as long as all this criticism shrank from recognising the indissoluble bond between imperialism and the trusts, and, therefore, between imperialism and the foundations of capitalism; as long as it shrank from aligning itself with the forces being engendered by large-scale capitalism and its development, it remained a "pious hope."

This also, in the main, is the position of Hobson in his criticism of imperialism. Hobson anticipated Kautsky in protesting against the "inevitability of imperialism," and in making an appeal showing the need to "raise the consuming capacity" of the people (under capitalism!). The petty-bourgeois point of view in the critique of imperialism, the omnipotence of the banks, the financial oligarchy, *etc.*, is that adopted by authors whom we have repeatedly quoted, such as Agahd, Lansburgh, L. Eschwege, and, among French writers, Victor Berard, author of a superficial book entitled *England and Imperialism*, which appeared in 1900. All of these, who make no claim whatever to being Marxists, contrast imperialism with free competition and democracy; they condemn the Bagdad railway adventure as leading to disputes and war, utter "pious hopes" for peace, *etc.*, including the compiler of international stock issue statistics, A. Neymarck, who, after calculating the

*Quoted by Patouillet, *L'imperialisme americain*, Dijon, 1904, p. 272. (From speech "On the Repeal of the Missouri Compromise" at Peoria, Illinois, October 16, 1854.—*Ed.*)

hundreds of billions of francs of "international" securities, exclaimed in 1912:

> Is it possible to believe that peace can be disturbed? that, in the face of these enormous figures.... any one would risk starting a war? *

Such simplicity of mind on the part of bourgeois economists is not surprising. Besides, *it is in their interest* to pretend to be so naive and to talk "seriously" about peace under imperialism. But what remains of Kautsky's Marxism when, in 1914-1915-1916, he takes the same bourgeois-reformist point of view and affirms that "we are all agreed" (imperialists, pseudo-Socialists, and social-pacifists) with regard to peace? Instead of an analysis of imperialism and an exposure of the depths of its contradictions, we have nothing but a reformist "pious hope" of side-stepping and evading them.

Here is an example of Kautsky's economic critique of imperialism. He takes the statistics of British export and import trade with Egypt for 1872 and 1912. These statistics show that this import and export trade has grown more slowly than British exports and imports as a whole. From this, Kautsky concludes:

> We have no reason to suppose that British trade with Egypt would have developed less, as a result of the operation of economic factors alone, without the military occupations of Egypt.... The efforts of present-day states to expand can best be satisfied not by the violent methods of imperialism, but by peaceful democracy.†

This argument of Kautsky's which is repeated in every key by his Russian armour-bearer (and Russian sponsor of social-chauvinists) Mr. Spectator, constitutes the basis of Kautsky's critique of imperialism, and that is why we must deal with it in greater detail. We shall begin with a quotation from Hilferding, whose conclusions Kautsky, on many occasions, including April, 1915, declared, "have been unanimously accepted by all Socialist theoreticians."

> It is not the business of the proletariat—wrote Hilferding—to contrast the more progressive capitalist policy with the policy, now overcome, of the era of free

Bulletin de l'Institute International de Statistique, Vol. XIX, *Livre* II, p. 225.

†Karl Kautsky, *Nationalstaat, imperialistischer Staat und Staatenbund*, Nurnberg, 1915, pp. 70, 72.

trade and hostility towards the state. The reply of the proletariat to the economic policy of finance capital, to imperialism, cannot be free trade, but Socialism alone. The aim of proletarian policy cannot now be the idea of restoring free competition—now become a reactionary ideal—but only the complete abolition of competition by the abolition of capitalism‡

Kautsky broke with Marxism by advocating what is, in the period of finance capital, a "reactionary ideal," "peaceful democracy," "the simple weight of economic factors"; for, *objectively*, this ideal drags us back from monopoly to non-monopoly capitalism, and is a reformist swindle.

Trade with Egypt (or with any other colony or semi-colony) "would have developed better" *without* military occupation, without imperialism, without finance capital. What does this mean? That capitalism would develop more rapidly if free competition were not restricted by monopolies in general, nor by the "ties" nor the yoke, (*i.e.*, again the monopoly) of finance capital, nor by the monopolist possession of colonies by individual countries?

Kautsky's arguments can have no other sense; and *this* "sense" is nonsense. But suppose that it is so, that free competition, without any sort of monopoly, *would* develop capitalism and trade more rapidly, is it not a fact that the more rapidly capitalism and trade develop, the greater is the concentration of production and capital which gives rise to monopoly? And monopolies have *already* come into being—precisely *out of* free competition! Even if monopolies have now begun to retard progress, this is not an argument in favour of free competition, which became impossible after it gave birth to monopolies.

However one may twist Kautsky's argument, there is nothing in it but reaction and bourgeois reformism. Even if we correct this argument and say, as Spectator says, that the trade of the British colonies with Britain is now developing more slowly than their trade with other countries, that likewise does not save Kautsky; for Britain *also* is being beaten by monopoly, by imperialism, only by that of other countries (America, Germany). It is well known that the cartels have given rise to a new and original form of protective tariffs—goods suitable for export are protected (Engels noted this in Volume III of *Capital*).[1] It is well known, too, that the cartels

[1] ‡Hilferding, *op. cit.*, p. 504.

and finance capital have a system peculiar to themselves of exporting goods at "dumping prices," or "dumping," as the English call it: within the country the cartel sells its products at a monopolistically high price; abroad it disposes of them at a fraction of this price to undermine a competitor, to increase its own production to the maximum, *etc.* If German trade with the British colonies is developing more rapidly than that of Britain, it only proves that German imperialism is younger, stronger, better organised, and more highly developed than the British, but this by no means proves the "superiority" of free trade, for it is is not free trade fighting against protection and colonial dependence, but one imperialism fighting another, one monopoly against another, one finance capital against another. The superiority of German imperialism over British imperialism is stronger than the wall of colonial frontiers or of protective tariffs. To derive from this any "argument" *in favour* of free trade and "peaceful democracy" is insipidity, it is to vulgarise the essential features and qualities of imperialism, to substitute petty-bourgeois reformism for Marxism.

It is interesting to note that even the bourgeois economist, A. Lansburgh, whose criticism of imperialism is as petty-bourgeois as Kautsky's, nevertheless came nearer a scientific study of trade statistics. He did not compare one country, chosen at random, and only one colony, with the rest of the countries; he compared the export trade of an imperialist country, first with countries financially dependent upon it, borrowing money from it, and second with financially independent countries. He obtained the following results:

EXPORTS FROM GERMANY

(In millions of marks)

To Countries Financially Dependent on Germany

	1889	1908	Percentage of increase
Rumania	48.2	70.8	47
Portugal	19.0	32.8	73
Argentina	60.7	147.0	143
Brazil	48.7	84.5	73
Chile	28.3	52.4	85
Turkey	29.9	64.0	114
Total	234.8	451.5	92

To Countries Financially Independent of Germany

	1889	1908	Percentage of increase
Great Britain ..	651.8	997.4	53
France	210.2	437.9	108
Belgium	137.2	322.8	135
Switzerland	177.4	401.1	127
Australia	21.2	64.5	205
Dutch East Indies ..	8.8	40.7	363
Total	1,206.6	2,264.4	87

Lansburgh did not add up the columns and therefore, strangely enough, failed to observe that *if* the figures prove anything at all, they speak only *against* him, for the exports to countries financially dependent on Germany have grown *more rapidly*, though only a little, than those to the financially independent countries (we emphasise the *if*, for Lansburgh's figures are far from being complete).

Tracing the connection between export trade and loans, Lansburgh wrote:

> In 1890-91, a Rumanian loan was subscribed through the German banks, which had already in previous years made advances on this loan. The loan was used chiefly for purchases of railway material in Germany. In 1891, German exports to Rumania amounted to 55 million marks. The following year they fell to 39.4 million; then, with fluctuations, to 25.4 million in 1900. Only in the most recent years have they regained the level of 1891, thanks to a few new loans.
>
> German exports to Portugal rose, following the loans of 1888-1889, to 21.1 million marks (1890), then fell, in the two following years, to 16.2 million and 7.4 million, and only regained their former level in 1903.
>
> German trade with the Argentine is still more striking. As a result of loans floated in 1888 and 1890, German exports to the Argentine reached, in 1889, 60.7 million marks. Two years later they only amounted to 18.6 million, that is, less than one-third. It was not until 1901 that they for the first time surpassed he level of 1889 in connection with new loans floated by the state and by municipalities, the advance of funds for the construction of power stations, and other credit operations.
>
> As for Chile, German exports to that country rose to 45.2 million marks in 1892 as the result of the 1889 loan. The next year they fell to less than half, to 22.5 million. A new Chilean loan floated by German banks in 1906

was followed by a rise of exports in 1907 to 84.7 marks, only to fall back to 52.4 million marks in 1908.*

From these facts Lansburgh draws the amusing petty-bourgeois moral of how unstable and irregular export trade is when it is bound up with loans; how bad it is to invest capital abroad instead of "naturally" and "harmoniously" developing home industry; how "costly" is the rake-off that Krupp has to pay in floating foreign loans, *etc.* But the facts are clear. The increase in exports is *closely* connected with the swindling operations of finance capital, which is not concerned with bourgeois morality and skins the animal twice—first, it pockets the profits from the loan; then profits from the *same* loan when it is used by the borrower to make purchases of Krupp's goods or to obtain railway material from the steel syndicate, *etc.*

We repeat that we do not by any means consider Lansburgh's figures perfect. But we had to quote them because they are more scientific than Kautsky's and Spectator's, and Lansburgh shows the correct approach to the question. In order to discuss the importance of finance capital in the matter of exports, *etc.*, one must be able to point out the relation of export especially and solely to the trickery of the financiers, especially and solely to the sale of goods produced by cartels, *etc.* Simply to compare colonies in general with non-colonies, one imperialism with another imperialism, one semi-colony or colony (Egypt) with all other countries, is to evade and cover up the very *gist* of the question.

Kautsky's theoretical critique of imperialism has therefore nothing in common with Marxism and serves no purpose other than as a preamble to propaganda for peace and unity with the opportunists and the social-chauvinists, for the very reason that this critique evades and obscures precisely the most profound and basic contradictions of imperialism: the contradictions of monopolies existing side by side with free competition; the contradictions between the immense "operations" (and immense profits) of finance capital and "fair" trade on the open market; between combines and trusts on the one hand and non-trustified industry on the other, *etc.*

The notorious theory of "ultra-imperialism," invented by Kautsky, is equally reactionary. Compare his arguments on this subject in 1915 with Hobson's arguments of 1902.

**Die Bank*, 1909, II, pp. 826, 827.

Kautsky writes:

> whether it is possible that the present imperialist policy might be supplanted by a new ultra-imperialist policy, which would introduce the joint exploitation of the world by an internationally combined finance capital in place of the mutual rivalries of national finance capitals? Such a new phase of capitalism is at any rate conceivable. Is it realisable? Sufficient evidence is not yet available to enable us to answer this question.*

Hobson writes:

> Christendom thus laid out in a few federal empires, each with a retinue of uncivilised dependencies, seems to many the most legitimate development of present tendencies, and one which would offer the best hope of permanent peace on an assured basis of inter-imperialism†

Kautsky called ultra-imperialism or super-imperialism what Hobson thirteen years before had called inter-imperialism. Except for coining a new and clever word by replacing one Latin prefix by another, Kautsky's progress in "scientific" thought consists only in his temerity at labelling as Marxism what Hobson in effect described as the cant of English parsons. After the Boer War it was quite natural that this most worthy caste should exert its main effort to *console* the British petty-bourgeoisie and the workers, who had lost many of their relatives on the battlefields of South Africa and who were paying higher taxes in order to guarantee still higher profits for the British financiers. And what better consolation could there be than the theory that imperialism is not so bad, that it stands close to inter- (or ultra-) imperialism, which can assure permanent peace? No matter what the good intentions of the British clergy or of the sugary Kautsky may have been, the objective, that is, the real social significance of his "theory," is this and this alone: a most reactionary consolation of the masses by holding out hopes for a possible permanent peace under capitalism, by distracting their attention from the sharp antagonisms and acute problems of the present and directing their attention to illusory perspectives of some sort of new "ultra-imperialism" of the future. Other than delu-

*_Die Neue Zeit_, 33rd Year, II, 1915, p. 144.

†Hobson, _op. cit._, p. 351.

sion of the masses, there is nothing in Kautsky's "Marxian" theory.

Indeed, it is enough to keep clearly in mind well known and indisputable facts to become convinced of the complete falsity of the perspectives which Kautsky is trying to hold out to the German workers (and the workers of all countries). Let us take India, Indo-China and China. It is well known that these three colonial and semi-colonial countries, inhabited by six or seven hundred million human beings, are subected to the exploitation of the finance capital of several imperialist powers: Great Britain, France, Japan, the United States, *etc.* Let us assume that these imperialist countries form alliances against one another in order to protect and extend their possessions, interests, and "spheres of influence" in these Asiatic states; these will be "inter-imperialist," or "ultra-imperialist" alliances. Let us assume that *all* the imperialist powers conclude an alliance for the "peaceful" partition of these Asiatic countries; this alliance would be "internationally united finance capital." Actual examples of such an alliance may be seen in the history of the twentieth century, for instance, in the relations of the powers with China. We ask, is it "conceivable," assuming that the capitalist system remains intact (and this is precisely the assumption that Kautsky does make), that such alliances would not be short-lived, that they would preclude friction, conflicts and struggle in any and every possible form?

It suffices to state this question clearly to make any other reply than a negative one impossible; for there can be *no other* conceivable basis, under capitalism, for partition of spheres of influence, of interests, of colonies, *etc.*, than a calculation of the *strength* of the participants, their general economic, financial, military and other strength. Now, the relative strength of these participants is not changing uniformly, for under capitalism there cannot be an *equal* development of different undertakings, trusts, branches of industry or countries. Half a century ago, Germany was a pitiable nonentity as compared with Britain so far as capitalist strength was concerned. The same with Japan as compared with Russia. Is it "conceivable" that in ten or twenty years' time the relative strength of the imperialist powers will have remained *un*changed? Absolutely inconceivable.

Therefore, "inter-imperialist" or "ultra-imperialist" alliances, in the realities of capitalism and not in the petty-

bourgeois phantasies of English clergymen or the German "Marxist" Kautsky, no matter in what form these alliances be concluded, whether of one imperialist coalition against another or of a general alliance of *all* the imperialist powers, *inevitably* can be only "breathing spells" between wars. Peaceful alliances prepare the ground for wars and in their turn grow out of wars. One is the condition of the other, giving rise to alternating forms of peaceful and non-peaceful struggle *on one and the same* basis, that of imperialist connections and inter-relations of world economics and world politics. But the sage Kautsky, in order to pacify the workers and to reconcile them with the social-chauvinists who have deserted to the side of the bourgeoisie, *breaks* one link of a whole chain from the others, separates today's peaceful (and ultra-imperialist, nay ultra-ultra-imperialist) alliance of *all* the powers for the "pacification" of China (remember the suppression of the Boxer Rebellion[2]) from the non-peaceful conflict of to-morrow, which will prepare the ground for another "peaceful" general alliance for the partition, say, of Turkey, on the day after tomorrow, *etc., etc.* Instead of showing the vital connection between periods of imperialist peace and periods of imperialist wars, Kautsky puts before the workers a lifeless abstraction solely in order to reconcile them to their lifeless leaders.

An American writer, Hill, in his *History of Diplomacy in the International Development of Europe*, points out in his preface the following periods of modern diplomatic history: (1) the revolutionary period; (2) the constitutional movement; (3) the present period of "commercial imperialism."*

Another writer divides the history of Great Britain's "foreign policy" since 1870 into four periods: (1) the Asiatic period: struggle against Russia's advance in Central Asia towards India; (2) the African period (approximately 1885-1902): struggles against France over the partition of Africa (the Fashoda affair, 1898, a hair's breadth from a war with France); (3) the second Asiatic period (treaty with Japan against Russia); and (4) the "European" period, chiefly directed against Germany.†

"The political skirmishes of outposts are fought on the

*David Jayne Hill, *A History of Diplomacy in the International Development of Europe*, Vol. I, p. x.

†Schilder, *op. cit.*, I, p. 178 *ff.*

financial field," wrote Riesser, the banker, in 1905, showing how French finance capital operating in Italy was preparing the way for a political alliance between the two countries, how a struggle was developing between Germany and Britain over Persia, a struggle among all the European capitalists over Chinese loans, etc. Behold, the living reality of peaceful "ultra-imperialist" alliances in their indissoluble connection with ordinary imperialist conflicts!

The glossing over of the deepest contradictions of imperialism by Kautsky, which inevitably becomes a decking-out of imperialism, leaves its traces also in this writer's critique of the political features of imperialism. Imperialism is the epoch of finance capital and of monopolies which introduce everywhere the striving for domination, not for freedom. The result of these tendencies is reaction all along the line, whatever the political system, and extreme intensification of antagonisms in this domain also. Particularly acute also becomes national oppression and the striving for annexation, *i.e.*, the violation of national independence (for annexation is nothing else than a violation of the right of nations to self-determination). Hilferding justly draws attention to the relation between imperialism and the intensification of national oppression.

> But in the newly opened-up countries—he writes—the imported capital intensifies antagonisms and excites the constantly growing resistance of the people, who are awakened to national consciousness against the intruders. This resistance can easily become transformed into dangerous measures directed against foreign capital. Former social relations become completely revolutionised. The agrarian fetters that for a thousand years have bound the "nations beyond the pale of history" are broken, and they themselves are drawn into the capitalist whirlpool. Capitalism itself gradually provides the vanquished with the ways and means for their emancipation. And they set out to achieve that goal which once was the highest for the European nations: the construction of a national united state as a means to economic and cultural freedom. This movement for independence threatens European capital precisely in its most valuable and most promising fields of exploitation, and European capital can maintain its domination only by constantly increasing its military forces.*

To this must be added that it is not only in newly opened-up countries, but also in the old ones, that imperialism is

*Hilferding, *op. cit.*, pp. 433, 434.

leading to annexation, to increased national oppression, and, consequently, also to more stubborn resistance. While objecting to the growth of political reaction caused by imperialism, Kautsky leaves in the dark a question which has become very urgent, that of the impossibility of unity with the opportunists in the epoch of imperialism. While objecting to annexations, he presents his objections in such a form as will be most acceptable and least offensive to the opportunists. He addresses himself directly to a German audience, yet he obscures the most timely and important points, for instance, that Alsace-Lorraine is an annexation by Germany.[3] In order to appraise this "mental aberration" of Kautsky's, we shall take the following example. Let us suppose that a Japanese is condemning the annexation of the Philippine Islands[4] by the Americans. Are there many who will believe that he is protesting because he abhors annexations in general, and not because he himself has a desire to annex the Philippines? And shall we not be constrained to admit that the "fight" the Japanese is waging against annexations can be regarded as sincere and politically honest only if he fights against the annexation of Korea by Japan,[5] and demands for Korea freedom of separation from Japan?

Kautsky's theoretical analysis of imperialism and his economic and political critique of imperialism are permeated *through and through* with a spirit absolutely irreconcilable with Marxism, a spirit that obscures and glosses over the most basic contradictions of imperialism, and strives to preserve at all costs the crumbling unity with opportunism in the European labour movement.

NOTES FOR CHAPTER IX

Page 215—[1]Engels speaks of this (using literally the same words as Lenin does) in a footnote to Chapter VI, Part 1, Vol. III of *Capital* (p. 142, Kerr edition).

Page 220.—[2]The Boxer Rebellion was an uprising of peasants in North China against foreign imperialists in the Spring of 1900. The uprising was supported by the Chinese bourgeoisie, which made use of the peasant movement for the purpose of pressure on the Chinese government, then a monarchy. Into this movement were drawn the broad peasant masses, starving after several years of bad harvest before the rebellion. The organisations leading the movement—I Hau Duan (League of Justice and Harmony, Da Chuan Huei (Society of the Big Fist), and others—had in their names the word "fist," and from this got the name "Boxers." The world bourgeoisie formed a united front against the rebels, and slaughtered them with the unified strength of the American, Russian, Western European, and Japanese armies. After the suppression of the insurrection China was presented with predatory demands by the "great powers": for the granting and widening of concessions in the largest cities (Peking, Tientsin, Shanghai, etc.), the granting of the right of foreigners to have their own military protection, and the payment of an indemnity of several hundred million dollars, which is still being paid at the present time. The U.S.S.R. refused the indemnity which fell to the lot of tsarist Russia.

Page 222.—[3]Alsace and Lorraine are two provinces which belonged to France before the Franco-Prussian War of 1870-71. As a result of that war they were annexed by Germany, and after the Imperialist War they were returned to France. Lenin calls the Alsace-Lorraine question an "important and current" question, because Alsace-Lorraine was one of the subjects of the war between the imperialists of Germany and France, and the German social-chauvinists, defending "their own" bourgeoisie, ignored the fact that Germany had seized Alsace-Lorraine in 1871.

Page 222.—[4]The annexation of the Philippine Islands was accomplished by the United States through armed force. After the Spanish-American War of 1898, the Philippines, by the peace treaty with Spain, were to be transferred from to the United States. But the very victory of the latter over Spain in the Philippines was gained to a great extent thanks to the help of the Philippine army of over 30,000 men, under the leadership of the Philippine revolutionist, Aguinaldo, who by deceit was drawn in by the United States to its side. At the end of the war with Spain, after the Spaniards had left the Philippines, Aguinaldo, in answer to the promise of the United States government that it would take over the government of the islands, declared the Philippines an independent republic. The United States sent an army of 140,000 men there. The struggle lasted over three years. Finally the natives were put to rout, their leader Aguinaldo was taken

prisoner, and then punishment was meted out to the revolutionists (death sentences, ten-year prison terms, etc.). The struggle of the Philippine people against the United States for their independence cost them 600,000 lives, even by American figures. They were assured by President McKinley that nothing else than the will of God was fulfilled by these means. "I went down on my knees and prayed Almighty God for light and guidance more than one night," said McKinley. "And one night late it came to me this way—I don't know how it was, but it came: (1) That we would not give them [the Philippines] back to Spain—that would be cowardly and dishonourable; (2) that we could not turn them over to France or Germany—our commercial rivals in the Orient—that would be bad business and discreditable; (3) that we could not leave them to themselves—they were unfit for self-government—and they would soon have anarchy and misrule over there worse than Spain's was; and (4) that there was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilise and Christianise them, and by God's grace do the very best we could by them, as our fellowmen for whom Christ also died. And then I went to bed, and went to sleep, and slept soundly, and the next morning I sent for the chief engineer of the War Department (our map-maker), and I told him to put the Philippines on the map of the United States [pointing to a large map on the wall of his office], and there they are, and there they will stay while I am President!" (Charles S. Olcott, *The Life of William McKinley*, II, pp. 110-111.)

PAGE 222.—[5]Korea, in the Far East of Asia, for many years was the object of a stubborn struggle between China and Japan. In the nineties of the last century, the struggle for the exploitation of Korea shifted to that between Russia and Japan. After the Russo-Japanese War of 1904-05, Korea was annexed by Japan.

CHAPTER X

THE PLACE OF IMPERIALISM IN HISTORY

We have seen that by its economic essence imperialism is monopolist capitalism. This fact alone determines the place of imperalism in history, for monopoly growing up on the basis of free competition, and precisely out of free competition, is the transition from the capitalist to a higher social economic order. We must take special note of four main aspects of monopolies, or principal manifestations of monopoly capitalism, which are characteristic of the period under discussion.

First, monopoly arose out of the concentration of production at a very high stage of development. This refers to the monopolist capitalist combines: cartels, syndicates and trusts. We have seen the important part they play in modern economic life. Towards the beginning of the twentieth century, they acquired complete supremacy in the advanced countries, and although the initial steps towards the formation of combines were first taken by countries with high protective tariffs (Germany, America), Great Britain, with her system of free trade, was not far behind in revealing the same fundamental fact, namely, the birth of monopolies out of the concentration of production.

Second, monopolies have accelerated seizure of the most important sources of raw materials, especially for the coal and iron industry, which is the basic and most highly trustified industry in capitalist society. The monopolistic control of the most important sources of raw materials has enormously increased the power of big capital, and has sharpened the antagonism between trustified and non-trustified industry.

Third, monopoly arose out of the banks. The banks changed from modest intermediary enterprises into the monopolists of finance capital. Some three or five of the biggest banks in any of the most advanced capitalist countries have achieved a "personal union" of industrial and banking capital, and have concentrated in their hands the control of billions upon billions, which form the greatest part of the capital and revenue of an entire country. A financial oligarchy, creating a close network of ties of dependence upon all the

economic and political institutions of contemporary bourgeois society without exception—this is the most striking manifestation of this monopoly.

Fourth, monopoly arose out of colonial policy. To the numerous "old" motives of colonial policy finance capital has added the struggle for sources of raw materials, for the export of capital, for "spheres of influence," *i.e.*, spheres of good business, concessions, monopolist profits, and so on; in fine, for economic territory in general. When the colonies of the European powers in Africa comprised only one-tenth of that territory, as was still the case in 1876, colonial policy was able to develop in a non-monopolist manner, like "free-booters" taking land, so to speak. But when nine-tenths of Africa had been seized (by 1900); when the whole world had been divided up, there was inevitably ushered in a period of monopolist possession of colonies, and, consequently, of particularly intense struggle for the partition and for the repartition of the world.

The extent to which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the heavy hand of the cartels. This intensification of contradictions constitutes the most powerful driving force in the transitional period of history, which began at the time of the final victory of world finance capital.

Monopolies, oligarchy, striving for domination instead of striving for liberty, exploitation of an increasing number of small or weak nations by an extremely small group of the richest or most powerful nations—all these have given birth to those distinctive characteristics of imperialism which compel us to define it as parasitic or decaying capitalism. More and more prominently there appears, as one of the tendencies of imperialism, the creation of the "rentier-state," the usurer state, whose bourgeoisie lives more and more on capital exports and by "clipping coupons." It would be a mistake to believe that this tendency to decay precludes a rapid growth of capitalism. It does not; in the epoch of imperialism, now one, now another of these tendencies is displayed, to greater or less degree by certain branches of industry, by certain strata of the bourgeoisie, and by individual countries. As a whole, capitalism is growing far more rapidly than before, but not only is this growth becoming more and more uneven, but also this unevenness is showing itself in particular in the

decay of the countries which are richest in capital (such as England).

With regard to the rapidity of Germany's economic development, Riesser, the author of researches on the big German banks, states:

> The progress, which was not exactly slow, of the preceding period (1848-1870), bears about the same ratio to the speed with which Germany's economy as a whole together with German banking advanced during the period under consideration (1870-1905), as the ratio of the speed of a post-chaise in the days of the Holy Roman Empire's German nation to that of the modern automobile, which indeed often moves so fast that it becomes a danger both to the harmless strolling pedestrain and to the occupants themselves.*

In its turn, this finance capital, which has grown so extraordinarily rapidly, is not unwilling (precisely because it has grown so quickly) to pass on to a more "peaceful" possession of colonies available for seizure—and not only by peaceful methods—from richer nations. In the United States economic development during the last decades has been still more rapid than in Germany, and precisely *for this reason* the parasitic character of modern American capitalism has stood out so prominently. On the other hand, a comparison between, say, the republican American bourgeoisie with the monarchist Japanese or German bourgeoisie shows that the greatest political differences become very much toned down during the imperialist period—not because they are unimportant in themselves, but because throughout it is a case of a bourgeoisie showing definite traits of parasitism.

The receipt of monopolistically high profits by the capitalists of one of numerous branches of industry, of one of numerous countries, *etc.*, makes it economically possible for them to bribe individual strata of the workers, and sometimes also a fairly considerable minority of them, and win them to the side of the bourgeoisie of an industry or nation, against all the others. The intensification of antagonisms between imperialist nations for the partition of the world increases this tendency. And so there is created that bond between imperialism and opportunism, which revealed itself first and most clearly in England,

* Riesser *op. cit.*, p. 354.—Ed.

owing to the fact that certain features of imperialist development were apparent there much earlier than in other countries.

Some writers, L. Martov for example, like to evade the fact that there is a connection between imperialism and opportunism in the labour movement, a fact which is particularly striking at the present time, by resorting to "officially optimistic" arguments (a la Kautsky and Huysmans) like the following: the cause of the opponents of capitalism would be hopeless if it were precisely advanced capitalism that fostered opportunism, or if it were precisely the best paid workers who inclined towards opportunism, *etc.* We must have no illusions about the meaning of "optimism" of this kind. This is optimism with an eye to opportunism; it is optimism which serves to cloak opportunism. As a matter of fact the extraordinary rapidity and the particularly revolting character of the development of opportunism by no means serve as a guarantee than its victory will be lasting, just as the rapid growth of a malignant abscess on a healthy body can only cause it to burst the more quickly and hasten to relieve the body of it. Most dangerous in this respect are those people who do not wish to understand that the fight against imperialism is a sham and a fraud unless it is inseparably bound up with the fight against opportunism.

From all that has been said above on the economic essence of imperialism, it follows that it must be characterised as capitalism in transition, or, more precisely, as dying capitalism. It is very instructive in this connection to note that the bourgeois economists, in describing the newest capitalism, currently employ terms like "interlocking," "absence of isolation," *etc.*; banks are "enterprises which, by their functions and course of development, are not purely private business enterprises; more and more they are growing out of the sphere of purely private business regulation." And the same Riesser who spoke these last words, declares in all seriousness that the "prophecy" of the Marxists concerning "socialisation" "has not been realised"!

What, then, is the meaning of this little word "interlocking"? It applies only to the most striking aspect of the process going on before our eyes. It shows that the observer cannot see the forest for the trees. It slavishly copies the external, the fortuitous, the chaotic. It reveals him as a man overwhelmed by the mass of material and wholly incapable of appreciating its meaning and importance. Ownership of

shares of stock and relations between owners of private property "interlock accidentally." But the foundation of this interlocking, that which constitutes its base, is the changing social relations in production. When a big enterprise becomes a gigantic one and, working on the basis of exactly computed mass data, systematically organises the supply of primary raw materials to extent of two-thirds or three-fourths of all that is necessary for tens of millions of people; when these raw materials are transported to the most suitable places of production, sometimes hundreds or thousands of miles from each other, in a systematic and organised manner; when one centre controls all the successive stages of working up the raw materials right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers (the marketing of oil in America and Germany by the American Oil Trust), then it becomes evident that we have socialisation of production going on right before our eyes, and not mere "interlocking"; that private business relations, and private property relations, constitute a shell which is no longer suitable to its contents, a shell which must inevitably begin to decay if its removal is postponed by artificial means; a shell which may continue in a state of decay for a comparatively long period (particularly if the cure of the opportunist abscess is protracted), but which will inevitably be removed.

The enthusiastic admirer of German imperialism, Schulze-Gaevernitz, exclaims:

> If the topmost management of the German banks lies in the hands of a dozen persons, their activity is nowadays even more important to the public welfare than that of most of the Ministers of State [the "interlocking" of bankers, ministers, big industrialists and rentiers is here conveniently forgotten].... Let us imagine that the developmental tendencies which we have noted have attained their utmost consummation: the money capital of the nation is united in the banks; the banks are united in cartels; the capital of the nation seeking investment has been cast in the shape of securities. Then Saint-Simon's ingenious forecast is fulfilled: "The present anarchy in production, due to the fact that economic relations are developing without uniform regulation, must make way for organised production. Production will no longer be carried on by isolated entrepreneurs, independent of each other and ignorant of man's economic needs, but by a

special social institution. The central board of administration, being able to survey the large field of social economy from a more elevated point of view, will regulate it for the benefit of the whole of society, will put the means of production into suitable hands, and above all, will see to it that there is constant harmony between production and consumption. There are institutions that have assumed as part of their task a certain organisation of economic labour: the banks." This forecast is still far from fulfilment, but we are on the way to its fulfilment—Marxism, different from what Marx imagined, but different only in form!*

A fine "refutation" of Marx, we must say! It is a step backward from the precise, scientific analysis of Marx to the guesswork of Saint-Simon: the guesswork of a genius, but guesswork all the same.

*Schulze-Gaevernitz in *Grundriss der Sozialokonomik*, V, Part II, pp. 145-146.

FACTS AND FIGURES ON THE DECAY OF MODERN CAPITALISM

Below we quote additional facts and figures illustrating the exceptional acuteness and specific forms of the decay of post-war capitalism.

I. INABILITY OF CAPITALISM TO UTILISE THE BASIC PRODUCTIVE POWER OF SOCIETY—LABOUR POWER

CHRONIC UNEMPLOYMENT

Before the war most of the unemployed were absorbed during the boom periods. In the post-war period unemployment has remained at an exceedingly high level even at the peak of industrial booms. Severe unemployment has become a constant, chronic factor, as the following tables show:

LOWEST LEVEL OF UNEMPLOYMENT IN BOOM PERIOD OF 1929

(Millions)

U.S.A.	Great Britain	Germany
3 to 4	1.5 to 2	1.5 to 2

HIGHEST AND LOWEST ANNUAL PER CENT UNEMPLOYED AMONG MEMBERS OF TRADE UNIONS BEFORE AND AFTER THE WAR

	1900-1913[2]		1924-1929		1932
	Lowest	Highest	Lowest	Highest	
Great Britain[1] ..	2.1	7.8	9.7	12.5	22.1
Germany ..	1.1	2.9	6.7	18.0	43.8

[1]Great Birtain, 1924-32—per cent of unemployed among insured workers.

[2]For Germany—1903-13.

SOURCES: *Abstract of Labour Statistics*, pp. 47-48, 68; *Statistisches Jahrbuch fur das Deutsche Reich*, 1922-23.

DECREASE IN NUMBER OF WORKERS ACTUALLY EMPLOYED IN INDUSTRY IN POST-WAR PERIOD

U.S.A. Manufacturing Industry

Year	workers employed	Average annual change
	(thousands)	
1869	2,054[1]	—
1899	5,306[1]	+ 108
1899	4,713[2]	—
1914	7,024[2]	+ 154
1914	6,888[3]	—
1919	8,990[3]	+ 420
1929	8,822[3]	—17
1931	6,507[3]	—1,158
1933	6,056[3]	—226

[1]Factories, hand and neighbourhood industries.
[2]Establishments with products valued at over $500.
[3]Establishments with products valued at over $5,000.

Sources: Census returns in *Statistical Abstract of the United States*, 1935, p. 715.

German Industry

Year	No. of workers employed	Average annual change
1895	5,530	—
1907[1]	7,928	+ 199
1907[2]	7,367	—
1925	9,439	+ 115
1928	8,678	—255
1933	5,718	—592

[1]Pre-war boundaries.
[2]Post-war boundaries.

Sources: Industrial census returns in *Statistik des Deutsch Reichs*, B. 418, S. 200, 203, B. 462, 3, S. 9; for 1928, computed on the basis of factory inspectors' returns with addition of small establishments with less than five employees, in *Jahresberichte der Gewerbeaufsichtsbeamten und Bergbehorden*, 1928, B. III, S. 66-80, 552-53.

INSURED INDUSTRIAL WORKERS AND OFFICE EMPLOYEES ACTUALLY EMPLOYED IN GREAT BRITAIN

	(thousands)			
	1924	1929	1933	1936
Industry as a whole ..	7,273	7,234	6,444	7,876
Coal, iron and steel, ship-building and textiles ..	2,919	2,564	2,014	2,084

SOURCES: Computed by the "Konjunktur" Dept. of the Institute of World Economics and World Politics, Moscow, on the basis of the insurance and unemployment figures published in *The Ministry of Labour Gazette*.

CONCEALED UNEMPLOYMENT. AGRARIAN OVERPOPULATION

United States

Assistant Secretary of Agriculture, Tugwell, stated at a meeting of economic experts in Philadelphia on December 30, 1933, that two million people had returned to their farms during the crisis. He said that there were now too many farmers, and that probably only half the number of farms that existed today were needed to produce the agricultural produce required.

Poland

Agrarian overpopulation is particularly acute in countries which retain considerable survivals of feudal relations, and where, as a consequence, there is acute land hunger among the peasantry.

According to the calculations of the Polish bourgeois sociologist, Piatkiewicz, the number of persons engaged in agriculture in Poland represents potential labour power equal to 3,890 million workdays a year. The actual requirement in agriculture, however, is estimated at 1,851 million workdays, so that more than half the agricultural labour power of Poland is at present superfluous.

Hungary

According to the very moderate calculations made by the official Hungarian Institute of Economic Research in 1933, "about 24 per cent of the working time of the agricultural population remains unused under the present conditions of

land ownership and land tenure and the present size of the population."

SOURCES: *Semi-Weekly Farm News*, 5, I, 1934; *Magyar Gazdasagkutato Intezet*, special number 6, 1933, p. 33.

PAUPERISM

"The lowest sediment of the relative surplus population finally dwells in the sphere of pauperism," wrote Marx (*Capital* Vol. I, Chap. XXV, Section 4). In Great Britain today the officially registered paupers alone number not less than 1.5 million, according to figures of the Ministry of Labour. In 1929, a boom year, the number of persons receiving poor relief was 320 per 10,000 of the population.

In Germany the number of paupers before the world economic crisis of 1929 was estimated at between one and one and a half million. During the crisis the number increased to over three million.

There are several million paupers in the U.S.A.

SOURCES: *The Ministry of Labour Gazette; Reichsarbeitsblatt.*

OVERPOPULATION IN COLONIAL AND SEMI-COLONIAL COUNTRIES

Overpopulation in China is described by the German Institute of Economic Research in the following manner:

"Approximate estimates relating to 1925 show that out of a total of 305 million self-supporting persons 170 million had no work of any kind. The latest estimate give even higher figures. Although these figures are very unreliable, nevertheless, together with other known facts, they show how low is the standard of living and the purchasing power of the Chinese masses."

In India, according to the bourgeois investigator, Soni, the number of people who are unable to earn a livelihood in the villages and can find no employment in the cities is 110,000,000. Pointing to the fact that India has 100 million unemployed paupers, the author says that "anyone who claims even a superficial acquaintance with the conditions prevailing in India would readily agree that at least a third of the population in the country is badly in need of relief in order

to be able to procure the barest necessities of life.... and that a very large number of people in India constantly live in a state of semi-starvation...."

SOURCES: H. R. Soni, *Indian Industry and its Problems*, Vol. I, Bombay, 1932, pp. 21-23; *Wochenbericht des Instituts fur Konjunkturforschung*, 10, II, 1932.

RETARDED INCREASE OF POPULATION

There has been a tremendous increase in unemployment, notwithstanding the fact that the natural increase of population, and consequently the natural increase in labour power, is sharply declining. This decline can be seen from the following table:

AVERAGE ANNUAL INCREASE OF POPULATION

Excess of Births over Deaths per 1,000 of Population

Decade	U.S.A.	England & Wales	Germany	France
1861-70 ..	—	—	10.3	2.7
1871-80 ..	—	15.1	11.9	1.7
1881-90 ..	—	14.0	11.7	1.8
1891-1900 ..	—	12.4	13.9	0.7
1901-10 ..	—	12.4	14.3	1.2
1911-20[1] ..	—	6.8	3.7	—6.5
1921-30 ..	9.3	5.9	7.7	1.8
1933 ..	5.9	2.1	3.5	0.5
1935 ..	—	3.0	7.0	—0.5

[1]Including those killed in the war.

SOURCES: Official statistical yearbooks of the respective countries.

II. DIRECT AND INDIRECT DESTRUCTION OF LABOUR POWER

DESTRUCTION OF LABOUR POWER IN THE WAR OF 1914-18

Killed (registered)	9,998,771
Severely wounded	6,295,512
Slightly wounded	14,002,039
Prisoners of war and missing ..	5,983,600
Died in 1918 from influenza epidemic resulting from war	10,000,000

To the victims of the World War must be added the victims of wars between 1919 and 1936; a list of wars appears on pp. 264-66.

SOURCE: Stuart Chase, *The Tragedy of Waste*, 1927, pp. 58-59.

VICTIMS OF THE WHITE TERROR 1925-35

Arrested	Wounded	Killed	Sentenced to death	Sentenced to imprisonment	Total
5,187,000	3,820,000	3,409,000	243,000	319,000	12,978,000

SOURCES: Figures of the Central Committee of the International Labour Defence.

DESTRUCTION OF LABOUR POWER RESULTING FROM INCREASING POVERTY

Germany

The Hygiene Section of the League of Nations Secretariat appointed a commission to investigate the conditions of the unemployed. In the memorandum submitted by this commission the abject conditions of the unemployed in Germany are depicted Owing to the fact that the unemployed had some savings and were also able to receive some help from their relatives, their health until the autumn of 1931 was still tolerable. From then on, however, it began steadily to decline. Ailments resulting from malnutrition began to manifest themselves: "children showed signs of stunted growth, anaemia, jaundice, tape-worm, ailments caused by uncleanliness (due to curtailed use of soap), tooth ailments and nervous derangements. In the working class districts of Berlin the children of the unemployed are considerably below normal in weight and height, and, as a consequence, show a disposition to tuberculosis, skin diseases, and nervous disorders. Among the adult unemployed who visited the Kreuzberg Clinic a loss of weight was observed of 7 to 10 pounds in a few months."

In Gelsenkirchen an investigation showed that the number of children treated for tuberculosis increased in the year 1931 alone by 38 per cent.

Great Britain

Infant mortality in Great Britain as a whole was 65 per 1,000 in 1932. The rate is much higher, however, in the

working class districts of the large cities. This is shown in the following table :

INFANT MORTALITY IN 1932

Glasgow		Leeds	
Dalmarnock	127 per 1,000	West Street	137 per 1,000
Calton ..	140 „ „	Ayles Lane	141 „ „
Exchange	150 „ „	London	
Liverpool		Bethnal Green	88 „ „
Exchange	117 „ „	Paddington	116 „ „
Abercromby	133 „ „	St. Pancras	139 „ „

Speaking at a meeting in Bermondsey, a working class district in London, Field Marshal Lord Milne declared that he was shocked at the number of young people who did not come up to the comparatively low standard of physique now required for entrance into the army. He also declared that the managers of boys' and girls' clubs who are well acquainted with the younger generation as a whole are greatly disturbed over the poor physique of the youth of the present day. The physique of the nation is poor.

Unites States

According to figures of the New York Department of Health for 1932, 21.1 per cent of the children of school age were sick as a result of malnutrition. Compared with 1927, the number of sick children increased 55 per cent. In 1930 more than six million children in the U.S.A. failed to receive sufficient nourishment because their parents had either no work or no money ; later this number rose considerably.

According to figures of the senior statistician of the U.S. Department of Health, as a result of the crisis, sickness has increased among the unemployed by 55 per cent, compared with 1929.

SOURCES : *Internationale Rundschau der Arbeit*, Feb. 1933, pp. 173, 176-77 ; *Daily Worker*, London, 16, IX, 1933, *Times*, 2, III, 1934 ; *Pravda*, 13, IX, 1933 (TASS) ; *Daily Worker*, New York, 28, XII, 1933 ; *New York Times*, 26, XI, 1933 ; *Statistical Abstract* for the U.K., 1935, p. 34.

Increase of Suicides

Year	Number of suicides			Suicides per 10,000 population			
	U.S.A.	Great Britain	Germany	U.S.A.	Great Britain[3]	Germany All	Berlin
1913 ..	9,988	3,791	15,564[1]	15.8	8.3	23.4[1]	38.5
1925 ..	12,495	4,531	15,273[2]	13.1	10.1	24.5[2]	—
1929 ..	16,260	5,529	16,665	15.6	12.1	26.1	42.2
1932 ..	20,927	6,314	18,934	19.3	13.6	29.2	53.1
1934 ..	19,993[4]	6,148	18,801	17.5[4]	13.2	28.3	—

[1]Within pre-war boundaries.
[2]Within post-war boundaries.
[3]Computed from official statistics. [4]1933.

Sources: U.S.A.—*Statistical Abstract of the United States*; Great Britain—*Statistical Abstract for the United Kingdom*; Germany—*Wirtschaft und Statistik*, No. 14, 1932, No. 13, 1934; *Statistisches Jahrbuch fur das Deutsche Reich.*

Destruction of Labour Power As a Result of Speed-Up

The American bourgeois investigator, Dr. H. Mayer-Daxlander, in his report to the Labour Bureau of the League of Nations, states in regard to conditions of labour in New York and its vicinity that his observations and investigations disclose that work on a conveyor relatively increases the number of accidents and occupational diseases. This is a characteristic result of the excessive speed at which conveyors are run in capitalist industry under the "speed-up" system. A fact which becomes more and more noticeable each year is the growth of mental diseases among industrial workers. From 1920 to 1924 a total of 441,830 cases of accidents and occupational diseases were reported to the New York State Commission on Accidents. This gives an average of 88,366 cases per annum. The figure for 1928 rose to 95,365. By that time industry in the State of New York had been rationalised to the extent of 85 per cent. A certain private company shows the following increase in registered cases:

Year	No. of accidents	No. of nervous breakdowns	No. of mental cases
1926	.. 2,535	696	39
1927	.. 2,553	768	35
1928	.. 2,693	870	40
1929	.. 2,931	—	55

One factory employing 3,000 workers showed the following percentage of nervous breakdowns to the total cases of sickness and accidents:

1926	1927	1928	1929
12	18	29	34

In another factory, out of 1,200 girl employees, 312 wore glasses at the time of enrolment. A year later this number had increased to 731.

The author concluded his report with the statement that work on the conveyor daily causes the exhaustion of industrial workers and that women suffer relatively more than men.

In its report for 1930, the Association of Physicians in Germany states: "The most important cause of the deterioration of health of the insured.... is the disposition to sickness caused by the more intense utilisation of the labour power of the insured person.... The rationalisation of economy primarily affects the nervous system and the mental state of the insured person."

According to Kuczinsky, in Germany the percentage of accidents among insured persons resulting from the speeding up of labour increased as follows:

1924	1925	1926	1929
6	7	9	10

SOURCES: U.S.A.—Dr. H. Mayer-Daxlander, *Fliessarbeit, Rationalisierung und Gesundheit des Arbeiters*, New York, 1931: Germany—*Gewerkschaftszeitung*, 1931, No. 45 and *Finanzpolitische Korrespondenz*.

III. GROWTH OF UNPRODUCTIVE LABOUR

Relative Decline in Number of Workers employed in Industry

We have already quoted figures showing the decline in the percentage of productively employed workers among the population of Great Britain. The same phenomenon is observed in the post-war period in Germany and the United States. This is seen from the following figures:

United States

Year	Population	No. of workers employed in mfg. industry	Per cent of population
	(millions)		
1899 ..	74.8	4.71[1]	6.3
1914 ..	97.9	7.02[1]	7.2
1914 ..	97.9	6.90[2]	7.0
1919 ..	105.0	9.00[2]	8.6
1929 ..	121.5	8.84[2]	7.3
1933 ..	125.7	6.06[2]	4.8

[1] In establishments with products valued at over $500 per annum.
[2] In establishments with products valued at over $5,000 per annum.

Germany

1895 ..	52.0	5.5	10.6
1907 ..	62.0	7.9	12.7
1925 ..	62.4	9.4	15.1
1928 ..	63.6	8.7	13.7
1933 ..	65.2	5.7	8.8

The figures on the number employed in 1928 are taken from factory inspectors' returns. To these we have added the number of workers employed in small enterprises with less than 5 employees. The other figures are taken from the censuses; the figures for 1895 and 1907 in the pre-war boundaries. The figures for subsequent years relate to present boundaries (not including the Saar).

SOURCES: U.S.A.—*Statistical Abstract of the U.S.* 1931-35; Germany—*Statistisches Jahrbuch fur das Deutsche Reich*, 1934, S. 7; *Statistik des Deutschen Reichs*, B. 418-1, S. 200, 203; *Jahresberichte der Gewerbeaufsichtsbeamten und Bergbehorden*, 1928, B. III, S. 66-80, 552-53.

INCREASE IN RELATIVE NUMBER OF PERSONS ENGAGED IN THE SPHERE OF DISTRIBUTION AND PERSONAL SERVICE

The decline in the percentage of productively occupied persons among the gainfully occupied population in the post-war period of capitalism is accompanied by an increase in the percentage of persons engaged in the sphere of distribution and personal service, etc. This is illustrated by the following figures:

UNITED STATES: INCREASE IN NUMBER OF NON-PRODUCTIVELY EMPLOYED PERSONS AMONG THE GAINFULLY OCCUPIED POPULATION

Occupation	1910	1920	1930	1910	1920	1930
	(thousands)			(%)		
Agriculture, forestry and fishing ..	12,630	10,936	10,723	33.1	26.3	21.9
Mining and manufacturing	11,622	13,922	15,095	30.5	33.5	30.9
Transportation and communications ..	2,665	3,097	3,843	7.0	7.4	7.9
Total of productively occupied population	26,917	27,955	29,661	70.6	67.2	60.7
Professional service ..	1,711	2,171	3,254	4.5	5.2	6.7
Commerce, banking, etc.	5,352	7,369	10,107	14.0	17.7	20.7
Domestic and personal service	3,756	3,380	4,952	9.8	8.1	10.1
Public service ..	431	739	856	1.1	1.8	1.8
Total non-productively occupied population	9,539	11,488	15,915	24.9	27.6	32.6
Total gainfully occupied	38,167	41,614	48,830	100.0	100.0	100.0

SOURCES: *Fifteenth Census of the United States*, 1930, Occupation Statistics, p. 8.

GREAT BRITAIN: PRODUCTIVELY AND NON-PRODUCTIVELY OCCUPIED INSURED EMPLOYEES

	1923	1929	1933	1923	1929	1933
	(thousands)			(%)		
Productively occupied (industry, building, transportation) ..	7,879	7,927	7,110	77.6	73.4	69.2
Non-productively occupied (commerce, banking, finance, etc.)	2,272	2,875	3,165	22.4	26.6	30.8
Total	10,151	10,802	10,275	100.0	100.0	100.0

SOURCES: Computations of the "Konjunktur" Dept. of the Institute of World Economics and World Politics, Moscow, based on unemployment insurance figures in *The Ministry of Labour Gazette*.

GERMANY: INCREASE IN PERCENTAGE OF THE PERSONS OCCUPIED IN COMMERCE, FINANCIAL INSTITUTIONS AND PERSONAL SERVICE

Occupation	1907	1925	1933	1907	1925	1933
	(thousands)			(%)		
Industry	9,839	12,693	8,999	78.0	75.9	68.2
Commerce, insurance, banking, hotels, etc. ..	2,776	4,032	4,205	22.0	24.1	31.8
Total	12,615	16,725	13,204	100.0	100.0	100.0

SOURCES: 1907 and 1925—*Statistik des Deutschen Reichs*, Bd. 413, Teil I, S. 246; 1933—*Statistik des Deutschen Reichs*, Bd. 462, S. 6-9.

GERMANY: INCREASE IN PERCENTAGE OF PERSONS OCCUPIED IN COMMERCE, FINANCIAL INSTITUTIONS AND PERSONAL SERVICE

(Establishments employing over 5 persons)

Occupation	1928	1932	1928	1932
	(thousands)		(%)	
Industry	9,073	5,191	87.9	82.5
Commerce, banking, insurance, hotels, restaurants, etc. ..	1,254	1,098	12.1	17.5
Total	10,327	6,289	100.0	100.0

SOURCE: *Wirtschaft und Statistik*, No. 21, 1933, S. 654-57.

IV. RETARDED RATE OF INCREASE OF PRODUCTION

PER CENT INCREASE OR DECREASE IN VOLUME OF INDUSTRIAL PRODUCTION

Year	U. S. A.	Great Britain	Germany	France	Whole capitalist world [1]	Index of world production of industry & agriculture
1897-1913 (16 yrs.)...	+100.0	+35 1	+79 5	+58.7	+81.8	+68.2
1913-29 (16 yrs.).....	+69.8	—0.9	+3.0[2]	+38 0[2]	+46.6	+31 1
1929-33 (4 yrs.).....	—36.1	—11.8	—31.3	—22.9	—8.8	—

[1] 1897-1913 includes Russia; 1913-33 exclusive of U.S.S.R.

[2] Post-war boundaries.

SOURCES: 1897-1929—*Vierteljahrshefte zur Konjunkturforschung*, Sonderheft 31; 1929-33—*Monthly Bulletin of Statistics of the League of Nations*, No. 10, 1934; *Wochenbericht des Instituts fur Konjunkturforschung*, No. 12, 1934.

PER CENT INCREASE OR DECREASE IN WORLD PRODUCTION OF IMPORTANT INDUSTRIES

Year	Coal	Pig Iron	Steel	Ship-building	Cotton consumption
1897-1913 (16 years).....	+112 0	+139.6	+254.1	+150.4	+64.7
1913-29 (16 years).....	+15.8	+27.3	+61.6	—17.1	+8 8
1929-33 (4 years).....	—31.4	—57.5	—47.4	—82.4	—18.1[1]

[1] 1929-31.

SOURCES: The table is computed on the basis of official statistics. The figures for 1897-1913 include Russia; those for 1913-33 do not include the U.S.S.R.

V. RETARDATION OF TECHNICAL PROGRESS

The following examples show that on a background of rapid technical progress the "*tendency* to stagnation and decay, which is the feature of monopoly" (Lenin) continued in the post-war period with increasing effect, particularly owing to the fact that fixed capital is being chronically utilised

below capacity.

High pressure boilers. As electric power stations are chronically working below capacity, high pressure boilers cannot be widely employed under modern capitalism. In this connection, the well-known scientist, Professor Munzinger, writes:

"Owing to the fact that electric power stations are working much below capacity, the general opinion prevails today that changing from 20 to 100 atm. pressure would not pay in the majority of German central stations, notwithstanding the fact that an additional investment of 7 per cent capital would result in a 15 per cent saving in specific fuel expenditure per effectively delivered kilowatt hour at full load."

The case of the Douglas la Monte high-pressure forced circulation boilers serves as a characteristic example. "Notwithstanding the fact that great experts like Professor Eberle, D'Huart and others, have admitted the superiority of this new type of boiler, notwithstanding the revolution in power engineering the wide application of the Douglas la Monte principles would bring about, and finally, notwithstanding the fact that some of the biggest boiler manufacturers in Europe have obtained rights to manufacture this type of boiler, actually it is still being ignored.... Fear of the obsolescence of existing capital investments and the sharp diminution of the profitableness of the new improvements and achievements of technique on account of the crisis, are the principal factors which compel manufacturers to withhold these and a number of other patents from the market."

The unified high-tension transmission system cannot be introduced under the conditions of capitalism, although the technical problems connected with the introduction of this system have been solved, and separate high-pressure power rings have achieved large dimensions. Hence the numerous pronouncements against the unified system. The following are examples of such pronouncements:

a) The discussion in 1931-32, especially in the journal "ETZ," on the subject of "Grosskraft oder Einzelkraft"; in particular, the paper by R. Franck (1929) and the articles by Schrader and Block, written in opposition to the introduction of a unified system in Germany. The main argument advanced against it was that it would not pay from the point of view of private capital.

b) The report of H. V. Liversidge, President of the Phila-

delphia Electric Company, at the annual general meeting of the N.E.L.A. His main argument was that the area which a single central station can cover cannot be very large, and in all probability will diminish.

Some of the principal motives that prompt this opposition are fear of strikes and military expediency. For example, G. Dehne writes:

"A further obstacle in the present case is the important fact that the power supply in an enormous territory passes into the hands of a few persons and is produced in a single centre. Consequently, in the event of war, or during a strike or disorders, large industrial regions may be cut off from the centres of power supply."

The electrification of railways is still in a rudimentary stage, as the following table shows:

PER CENT OF ELECTRIFIED RAILWAYS IN THE BEGINNING OF 1936

U.S.A.	1.1
Great Britain	3.9
Germany	4.1
France	6.1
Western Europe as a whole ..	4.5

Only Italy, Sweden, and Switzerland show a greater percentage of railway electrification, owing to their poverty in coal and abundance of water resources. In Italy 4,846 kilometres, or 21.1 per cent of the railways, are electrified; in Sweden 2,450 kilometres, or 14.6 per cent, and in Switzerland 2,081 kilometres, or 71 per cent. The following indicates some of the causes that retard the growth of railway electrification:

In Great Britain, the Committee on Railway Electrification, set up by the government, issued its report (the Weir Report) in 1930. Although the plan proposed by the Committee was a very modest one, spread over twenty years, it met with great hostility and was effectively squashed. Particularly sharp objections were raised by the coal and transport interests (a series of articles in *Modern Transport* and a fierce attack by Robert Smith, one of the leaders of these interests). Among the arguments used in opposition to the scheme were the following:

a) Electrification will cause a sharp reduction in the scale

of coal, as the efficiency of electric power stations is much higher than that of steam locomotives.

b) Hence, there will be a sharp reduction in railway freight traffic (approximately one-third of the freight revenue of British railways is derived from the transportation of coal).

c) And consequently there will be a considerable reduction in the demand for labour and an increase of unemployment.

d) Fear of strikes.

e) Fear of war.

"*From a national point of view* it is clear that an electrified railway system *is more vulnerable to attack and disorganisation by a foreign foe or malcontent wreckers than a system served by independent traction units. This is certainly the most serious aspect of the matter*" (our italics)

Gasification of coal in the mines. This idea was advanced by Sir William Ramsay as far back as the 'nineties of the last century, but, as Lenin predicted, it has not yet found practical application in capitalist countries.

The liquefaction of coal by the Bergius method (manufacture of synthetic gasoline) has not received wide application during the post-war period, although the technical problem connected with it has long been solved. The reasons for this are monopolisation of the patents and the resistance of the oil monopolies. The agreement between the Standard Oil Company and the German I. G. Farbenindustrie, restricting the utilisation of the Bergius patents, is a matter of common knowledge. It was only during the world economic crisis that interest in synthetic gasoline was greatly aroused in connection with war preparations, and a number of plants were constructed for this purpose.

SOURCES : Prof. W. Weitz, *Modern Development of Electrification in Capitalist Countries* (in Russian), Leningrad, 1933, pp. 107-09, 115, 121-36 ; *Elektrizitatswirtschaft*, 1931 ; G. Dehne, *Deutschlands Grosskraftversorgung*, Berlin, 1929 ; *Elektrotechnische Zeitschrift*, 4, I, 1934 ; Report of the Weir Committee on the Electrification of British Railways, 1930.

VI. THE CHRONIC BELOW-CAPACITY UTILISATION OF MEANS OF PRODUCTION

Production of Industry in Per Cent of Capacity

Germany

(Hours actually worked compared with possible hours of normal shift)

	1929	1932
Industry as a whole	67	36
Production of means of production	68	30
Production of means of consumption	67	43
Production of iron and steel	80	35
Production of non-ferrous metals	78	35
Engineering	68	27
Textiles	72	50
Superphosphates	53	40
Nitrogen industry	51	37

U.S.A.[1]

Coal (bituminous)	78	57[8]
Steel	87	19
Copper	78	19
Automobile[2]	54	14
Portland Cement	67	28
Paper	86	55
Nitrogen	68	30

Great Britain[3]

Pig iron	52[4,5]	30[5,6]
Steel	59[4]	42[6]
Sulphuric acid	69	63
Nitrogen	67[4]	66

France[7]

Superphosphates	61	39[7]
Nitrogen	45[4]	41

It must be borne in mind that for most industries official and bourgeois unofficial statistics take 100 per cent of capacity to mean the full utilisation of equipment during one shift. If we based our calculations on two or three shifts, the percentage would be much lower than that shown in the above tables.

[1]Actual production in per cent of production capacity.
[2]Production capacity of automobile industry in 1929-32 taken at 10 million cars per annum.

[3]1931. [4]1930.

[5]Production capacity exclusive of blast furnaces that have been idle for long periods. If the latter are taken into account, the percentage of utilisation will be reduced to 48 in 1929 and 27 in 1932.

[6]Calculated on basis of production capacity of 1930.

[7]Calculated on basis of production capacity of 1929.

SOURCES: *Konjunkturstatistisches Handbuch*, 1933; *Gluckauf*; *Survey of Current Business*; *Statistical Tables Relating to British and Foreign Trade and Industry*; *Statistical Yearbook*, L. of N., 1930-34.

VII. DESTRUCTION OF FIXED CAPITAL

During the World War

Precise figures on the value of the fixed capital destroyed in the course of military operations during the period of 1914-18 are not available. There is no doubt, however, that it must have been enormous.

Post-War Years

INCREASE OR DECREASE IN TOTAL NUMBER OF SPINDLES (INCLUDING IDLE SPINDLES) IN COTTON INDUSTRY OF CAPITALIST EUROPE AND U.S.A.

(Millions)

	1908-13	1924-28	1928-36
Great Britain ..	+ 3.7	+ 0.3	15.7
Germany ..	+ 1.5	+ 1.7	— 1.0[1]
United States ..	+ 4.5	— 2.3	— 7.4

[1]1928-34.

SOURCES: *Annuaire Statistique, Statistique Generale de la France*, 1932-33, p. 385; *International Cotton Statistics*, Oct. 1934, p. 104, Sept. 1936, pp. 8, 11-12, 26.

During the period 1924-30 ninety-nine blast furnaces were built or reconstructed in the United States. The total pig iron production capacity of the country, however, remained unchanged owing to the fact that 109 blast furnaces were dismantled.

In Great Britain, the total blast furnace capacity dropped in the same period from 16.3 million tons per annum to 14.7 million tons.

From 1929 to July 1933 ninety-two blast furnaces were dismantled or abandoned in the United States. In Great Britain, 72 blast furnaces were dismantled between 1930 and October 1934. In Germany, 28 furnaces were scrapped in the same period and in France 10.

In the United States in 1932, steel furnaces of a total capacity of 4 million tons per annum were dismantled.

In the same year the Hartmann Engineering Works in Saxony were dismantled. In the boom years these works employed 15,000 workers.

In Great Britain a special company was formed known as the National Shipbuilders' Securities, Ltd., which is financed by the big shipbuilding companies, and the business of which is to buy up and dismantle so-called "superfluous" shipbuilding yards.

There is a rapid increase in the tonnage of merchant ships that are being broken up, as will be seen from the following table:

TONNAGE OF MERCHANT SHIPS BROKEN UP IN THE PRINCIPAL CAPITALIST COUNTRIES

(Thousand register tons)

1913	87.7
1929	943.6
1930	848.5
1931	1,018.2
1932	1,346.1
1933	2,415.2
1934	1,740.9
1935	1,151.3

The U.S. Department of Merchant Marine ordered the scrapping of 124 ships comprising a total of 1,000,000 reg. tons.

In Germany, ships comprising a total of 400,000 reg. tons have been scrapped.

SOURCES: Gt. Britain—*Industrial and Labour Information*, 16, V, 1932, p. 239. Tonnage of the principal capitalist countries—Lloyd's *Register of Shipping*, 1936-37; U.S.A.—*The Journal of Commerce*, 5, X, 1932; Germany—*New York Times*, 26, VIII, 1932.

U.S.A. Reduction of the Total Length of Railway Lines

(Miles)

Year	Newly completed lines	Abandoned lines	Net increase or decrease of lines in operation
1929	666	475	+ 191
1930	513	694	—181
1931	748	795	—47
1932	163	1,452	—1,289
1933	24	1,876	—1,852
1934	76	1,995	—1,919
1935	45	1,843	—1,798
1936	93	1,519	—1,426

According to *The Railway Age* the length of abandoned railways in the period 1930-36 exceeded the length of newly constructed lines by over 8,500 miles. As a result, the total length of railways in the U.S.A. at the end of 1936 was lower than at any time since 1910 and almost 13,500 miles less than in 1916.

An important factor in the destruction of fixed capital during the world economic crisis was the reduction of replacements below the level necessary to cover annual wear and tear. For example, on the United States railways, at the beginning of 1934, there were about five million tons of old rail and about ninety million ties which should normally have been replaced, but were not.

Sources: *The Railway Age*—Annual Statistical Number, January 2, 1937, pp. 53-55.

VIII. DESTRUCTION OF STOCKS OF COMMODITIES IN THE PERIOD OF THE WORLD ECONOMIC CRISIS[1]

Grain in U.S.A.—Owing to the low price of wheat the educational authorities in Colfax County, Nebraska, decided to purchase wheat to be used as fuel for heating the public schools. (Reported in *The Montreal Gazette*, Sept. 12, 1932.)

Fish in France.—In the port of Douarnenez an entire

[1]Materials taken from E. Varga, *New Phenomena of the World Economic Crisis*, (Russian), Partizdat, 1934.

haul of fish was thrown into the sea because the buyers refused to pay the minimum price of 20 francs per 100 kilograms. (*Humanite*, May 5, 1933.)

Vegetables in Holland.—120 carloads of cauliflower, spinach, onions and cabbage were destroyed by Dutch farmers because there were no purchasers for this quantity. (*Daily Worker*, June 2, 1933.)

Sheep in Chile.—225,000 sheep were slaughtered in Chile and instead of being exported in the form of mutton, they were used for the production of lubricating grease and tallow, and for other industrial purposes. (*Daily Worker*, June 28, 1933.)

Sheep in Argentina.—Owing to the fact that receipts from the sale of hides and fat did not cover the cost of transporting the sheep to the slaughter houses (there was no demand whatever for the wool and mutton), hundreds of thousands of old sheep were slaughtered in the mountain pastures in order to make room for the young sheep. (*Wirtschaftsdienst*, July 7, 1933.)

Grain in Bulgaria.—Six thousand tons of grain, purchased for export by the Khranioiznos grain company, rotted in the granaries. (*Echo*, November 9, 1933.)

Hops in Great Britain.—At one of the hearings of the Hops Commission, Mr. Stewart May, a Kent farmer, declared that during the period 1925-29 about 1,000,000 cwts. of hops, valued at £2,000,000, had been destroyed in Great Britain with the object of raising prices. (*The Morning Post*, Sept. 13, 1933.)

Cotton in the U.S.A.—According to returns of the Department of Agriculture, 10,403,000 acres out of a total of 40 million acres of cotton sown in 1933 were ploughed under. (*Pravda*, Sept. 14, 1933, quoted from a correspondence in *New York Times* by Charles Packet.)

Coffee in Brazil.—Approximately 22 million bags of coffee were destroyed in Brazil up to September 1933, and it has been proposed to destroy an additional 20 million bags of a round crop of 30 million in 1934 (*Deutsche Allgemeine Zeitung*, Sept. 27, 1933.)

Oranges in England.—In August 1933, about 1,500,000 Spanish oranges were to be dumped into the sea. (*El Sol*, Aug. 1, 1933 ; *Mundo Obrero*, Aug. 3, 1933.)

Hops in Czechoslovakia.—The Hops Syndicate is taking measures to destroy 7,000 tons of hops in the district of Saatz. (*Sozial-Demokrat*, Sept. 12, 1933.)

Cattle in Denmark.—According to the returns of the Min-

istry of Agriculture up to October 1, 1933, a total of 117,000 head of cattle have been destroyed in Denmark. This destruction was carried out with the sanction of the government.

Hogs in U.S.A.—In 1933, 6,400,000 hogs were destroyed.

Milk in U.S.A.—Twenty thousand quarts of milk were poured into the sewers in Los Angeles in May 1933.

Tea in Ceylon.—A hundred million pounds of tea were destroyed.

Peaches in U.S.A.—The big fruit growers destroyed 80,000 peach trees. (*Economic Notes*, Vol. 2, No. 3, March 1934.)

IX. INCREASE IN DISTRIBUTION COSTS

This increase is seen from the following:

The number of persons engaged in the sphere of distribution and their proportion to the total population has risen sharply (see tables on pp. 262 and 263).

Stuart Chase cites facts showing that the U.S.A. spends annually over 1.25 billion dollars on advertising. About 600,000 persons are engaged in the advertising business, directly or indirectly. Of the total amount of paper used by the newspapers, 58 per cent is used up in advertising space.

According to figures by the *Electric World* (March 2, 1934), direct and indirect expenditure connected with the sale of an automobile priced at $4,500 may amount to $2,000. The selling cost of an electric refrigerator priced at $200 may amount to $100.

Stuart Chase asserts that "at the present time the price of commodities doubles in the passage from the producer to the consumer," and in particular "the joint Commission on Agriculture arrived at the conclusion that fifty cents out of every dollar the consumer pays for bread goes in distribution costs."

According to Warren and Pearson, in April 1933 the index of cost of distribution (the difference between the price paid by the consumer and the price received by the producer) of food products was 38 per cent higher than the pre-war level (1910-14—100) while the index of prices paid to the farmers for the same products had dropped 42 per cent below the pre-war level.

It must be borne in mind that this increase in the difference between the price paid by the consumer and that received by the producer is not only due to the increase in the cost of distribution, but also to the monopoly price policy.

SOURCES: *Stuart Chase, Tragedy of Waste*, 1927, pp. 109, 111, 214; G. A. Warren and F. Pearson, *Prices*, 1933, pp. 187-88.

X. *ARMAMENTS, WARS, INCREASE OF POLICE FORCE*

BUREAUCRACY IN THE U.S.A.

Index, 1910—100

	1910	1920	1930
All civil service employees ..	100	138	199
Police	100	132	213

BUREAUCRACY IN GREAT BRITAIN

Index, 1922—100

1922	100
1930	106
1933	118

[1]Civil service employees, municipal employees and police.

SOURCES: U.S.A.—*Fifteenth Census of the U.S.*, Occupation Statistics, p. 16; Great Britain—*Statistical Abstract for the U.K.*, 1933.

GROWTH OF EXPENDITURE ON ARMAMENTS

The German Institute for Economic Research gives the following figures comparing the changes in world production (industry and agriculture) with those in world expenditure on armaments.

INDEX OF WORLD EXPENDITURE ON ARMAMENT AND WORLD PRODUCTION

(Monetary values: 1913—100)

	Expenditure on armaments	World production
1913	100	100
1925	135	133
1929	157	145
1936	300-350	121

Thus, in 1936, expenditure on armaments in 53 countries was from three to three and a half times that of 1913, whereas

world production was a little over twenty per cent higher than in 1913.

SOURCE: *Vierteljahrshefte zur Konjunkturforschung*, Heft 3, 1937, Teil A. S. 281.

OFFICIAL BUDGET EXPENDITURE ON ARMAMENTS[1]

(1912-13—100)

Countries	1912-13	1928-29	1932-33	1934-35	1937-38
U.S.A.	.. 100	235.7	238.7	278.1	325.0[3]
Japan	.. 100	259.1	343.9	471.9	706.2
Great Britain	100[2]	147.0	133.3	147.1	374.0

[1]Not including indirect and secret appropriations.
[2]1913-14.
[3]1936-37.

SOURCES: *Annual Report of the U.S. Treasury*, 1935; *Resume Statistique de l'Empire du Japan*, 1916-36; *Statistical Abstract for the United Kingdom*, 1935; *Japan Chronicle*, 4, III. 1937.

WARS AND ARMED CONFLICTS SINCE THE WORLD WAR OF 1914-18

Counter-Revolutionary Wars
Against the Land of the Soviets

1918	..	German troops invade Soviet Russia and Soviet Ukraine. Occupation of Soviet Ukraine.
1918	..	Seizure of Bessarabia by Rumania.
1918	..	Landing of British troops at Murmansk.
1918	..	Landing of French troops in Odessa.
1918-22	..	Japanese intervention in the Far East.
1919	..	*Spring.* First Allied Expedition against Soviet Russia (Poland, Kolchak, Denikin, Yudenich and mixed Anglo-Russian Whiteguard detachments in Turkestan and Archangel).
1919	..	*Autumn.* Second Allied Expedition against Soviet Russia (Denikin, Yudenich, Poland).
1920	..	Third Allied Expedition against Soviet Russia (Poland, Wrangel).
1921-22	..	Finnish attempt to seize Soviet Karelia.

1929 .. Attack on the Chinese Eastern Railway by Chinese militarists.

1931-38 .. Continuous violations of the Soviet-Manchurian frontier by Japano-Manchurian troops.

Since the imperialist war a number of so-called small wars have taken place.

Europe.

1919 .. Intervention of Allies, Czechoslovakia and Rumania against the Hungarian Soviet Republic.

1919 .. Seizure of Fiume by Italian volunteers under the leadership of Gabriele d'Annunzio.

1920 .. Occupation of Frankfurt and Darmstadt by French troops.

1920 .. Poland occupies Vilno.

1921 .. Polish insurrection in former German Upper Silesia.

1923 .. France occupies the Ruhr.

1923 .. Lithuania occupies Memel region.

1923 .. Italy temporarily seizes Corfu.

1925 .. Greece invades Bulgaria.

1936-38 .. Military fascist mutiny and Italian-German intervention in Spain.

1938 .. Germany seizes Austria.

Africa

1919-26 .. Spanish war against the Riffs in North Africa.

1925-26 .. Franco-Spanish military expeditions against North-African tribes.

1929-32 .. French military operations in Morocco.

1930 .. Italy establishes control over the whole of Tripolitania.

1934-35 .. Invasion of Abyssinian territory by Italian troops.

1935-36 .. Italo-Abyssinian War and seizure of Abyssinia by Italy.

South America

1928 .. War between Bolivia and Paraguay.

1928-32 .. United States intervention in Nicaragua.

1932-33 .. War between Peru and Columbia.

1932-34 .. Second war between Bolivia and Paraguay.

India and Indo-China

1919	..	War between Great Britain and rebels on the Northwest frontier of British India.
1927	..	Dutch punitive expedition in Indonesia.
1930	..	French punitive expedition against the Annamites in Indo-China.
1930-31	..	British colonial war in Burma.
1930-37	..	Continuous struggle between British troops and tribes in Northwest Provinces of India.

Near and Middle East

1919	..	Anglo-Afghan war.
1918-22	..	Greco-Turkish war.
1919-22	..	British punitive expedition against Arabian tribes in Iraq, Transjordania and Central Arabia.
1919-26	..	French punitive expedition against rebels in Syria.
1925	..	War between Nejd and Hejaz in Arabia.
1928-29	..	Civil war in Afghanistan provoked by agents of British imperialism.
1930	..	Attack on Hejaz-Nejd by border tribes operating with the support of British imperialists.
1932	..	British air forces operate against the independent Kurdish tribes in Iraq.
1934	..	War between Yemen and Saudi Arabia.
1936-38	..	Armed collisions between British troops and insurgent Arabs in Palestine.

Far East.

1925	..	Intervention of imperialist powers in China.
1927	..	International imperialist intervention in Shanghai. Bombardment of Nanking.
1928	..	Occupation of Shantung by Japan.
1930	..	Bombardment of Changsha while occupied by the Chinese Red Army.
1930	..	First Nanking expedition against the Soviet regions and the Chinese Red Army.
1931-37	..	Japanese war on China. Seizure of Manchuria and part of North China.
1931	..	*April.* Second Nanking expedition against Chinese Soviet territories begins.
1931	..	*May.* Failure of second expedition.
1931	..	*August.* Third Nanking expedition begins.

1931 .. *September.* Failure of third expedition.
1932 .. Attack on Shanghai by Japan.
1932 .. *February.* Fourth Nanking expedition against Chinese Soviet territories begins.
1932 .. *May.* Failure of fourth expedition.
1932 .. *June.* Fifth Nanking expedition begins.
1933 .. *July.* Failure of fifth expedition.
1933 .. *October.* Beginning of sixth campaign of Nanking government against Soviet districts of China.
1933 .. Seizure of Jehol and northeastern parts of Hopei by Japan.
1933 .. France seizes nine Coral Islands in the Pacific.
1934 .. Japan seizes a great part of Chahar (Inner Mongolia).
1934 .. *November.* End of the sixth expedition of the Nanking government against the Soviet districts of China.
1934-35 .. Forces of the Chinese Red Army move from south and central China to northwestern China.
1935 .. *November.* Formation of the puppet "anti-Communist" government in Eastern Hopei occupied by Japanese troops.
1936 .. *June-August.* Armed action by troops of Kwangtung and Kwangsi groups against Nanking government.
1936 .. *October.* Unification of the main forces of the Chinese Red Army in the provinces of Kansu and Shensi.
1936 .. *October-December.* Invasion of Suiyuan by Mongolian-Manchurian troops.
1936 .. Chang Hsueh-liang's mutiny against Nanking government in Sian-fu.
1935-36 .. Invasions of territory of Mongolian People's Republic by Japano-Manchurian troops.
1937-38 .. Predatory war of Japan against China.

CONCERNING NEW DATA FOR V. I. LENIN'S "IMPERIALISM, THE HIGHEST STAGE OF CAPITALISM

(By Leo Mendelssohn)

Lenin wrote *Imperialism, the Highest Stage of Capitalism* in the first half of 1916. Since then more than twenty years have elapsed. Measured in terms of history, this is a very short period. But human history has never marched so rapidly, and the changes in social life have never been so profound as they have been during this period. We shall enumerate the most important historical events of this period: the World War, which gave rise to the general crisis of capitalism; the Great October Socialist Revolution in 1917, which ushered in the first round of revolutions all over the world; the heroical years of Civil War in the Soviet Republic; the relative stabilisation of capitalism; the Chinese revolution, the gigantic achievements of the two Five-Year Plans in the Land of the Soviets and the prolonged and acute economic crisis in the lands of capitalism; the world-historical victory of socialism in the U.S.S.R. embodied in the Stalin Constitution; the collapse of capitalist stabilisation and the opening of a new round of revolutions and wars—these are the outstanding landmarks of this period. And the whole of this rich experience of the period, all these processes and changes of world-historic importance and worldwide dimensions, brilliantly corroborate the truth of Lenin's theory of imperialism, not only in its main outline, but in all its "details." This theory is one of the foundation stones of the programme of the Communist International; it is a mighty weapon in the struggle of the oppressed of the whole world for their emancipation.

In his *Imperialism*, Lenin quotes facts and figures of the pre-war period. But the facts and figures of capitalist economy during the subsequent twenty years not only corroborate the tendencies that were indicated in the data quoted by Lenin; they also reveal that these tendencies have become more marked and developed. In the first place, they reveal the further immense growth of the power and oppression of monopolies, and the resulting growth of the parasitism and decay of capitalism. By that they lay bare one of the most decisive factors

in the exceptional acuteness of the contradictions of the capitalist system which is particularly characteristic of the epoch of the general crisis of capitalism.

1. THE GROWTH OF CONCENTRATION OF PRODUCTION

Lenin's theory of imperialism proceeds from the premise that "the tendency towards monopoly arises from the very dimensions of the enterprises."[1]

"Economically imperialism (or the 'epoch' of finance capital, it is not a matter of words) is the highest stage in the development of capitalism, namely, the stage at which production is carried on on such a large and very large scale that *free competition is superseded by monopoly.* This is the *economic* quintessence of imperialism."[2]

This is precisely why Lenin starts his analysis of imperialism with the careful examination of the data on the concentration of capitalist production. The very latest data then available to Lenin were the industrial census of 1907 for Germany, and that of 1909 for the United States. Now, however, we have the German censuses for 1925 and 1933, and also the United States censuses for 1929 and 1933. Moreover, contemporary statistics also throw light on the process of concentration in France and Japan, with which Lenin did not deal, but which are of great interest because of the considerably more important role these two countries now play in the ranks of the imperialist powers. Finally, in 1934, figures became available for the first time on the concentration of production in British industry as a whole.

A comparison of the figures on the concentration of production quoted by Lenin with the latest figures shows that during the intervening twenty to twenty-five years, the level of concentration has risen to an enormous degree. This is one of the decisive factors which determined the immense growth of the power and oppression of monopolies.

The most important facts indicating the enormous rise in the level of capitalist concentration of production are the following:

In *Germany,* during the eighteen years from 1907 to 1925,

[1] Cf. p. 23 in this volume.

[2] *Cf. Collected Works.* Vol. XIX, Russ. ed., "A Caricature of Marxism and 'Imperialist Economism,'" part 3, p. 207.

the proportion of persons occupied in large establishments (*i.e.*, those with not less than 50 occupied) to the total number of persons occupied in industry[1] increased from 39.4 per cent to 47.6 per cent. The number of giant enterprises (with over 1,000 occupied each) almost doubled (from 586 to 1,122), and their share of the total motive power used increased from 32 per cent to 41.2 per cent.

"Tens of thousands of large-scale enterprises are everything; millions of small ones are nothing."[2] This is the conclusion Lenin arrived at after analysing the German industrial census of 1907. Today, it is no longer tens of thousands of large-scale enterprises that occupy the decisive place, but a much smaller number. This is proved by the following glaring fact: In German industry in 1925 there were only 67 establishments which employed 5,000 workers or over. But the aggregate motive power used in these *three-score or so* establishments was twice that of 1,600,000 small establishments. Here are the exact figures:[3]

Establishments employing:	No. of establishments:	Aggr. motive power (thousand h.p.)
1 to 5 persons	1,614,069	1,368
5,000 persons and over	67	2,738

The figures of the 1933 census of German industry show a further increase in the concentration of production. During the period of 1925 to 1933 the average motive power per establishment increased by no less than 26 per cent.[4] This is evidence of a very considerable increase in the average size of German industrial establishments. During the same period approximately 124,000 small enterprises in eleven industries were closed down chiefly as a result of the economic crisis. True, in eight other industries, a total of 65,000 new enterprises were established, so that the net decrease in the num-

[1] In the broad sense, *i.e.*, including commerce, transportation, etc.

[2] *Cf.* p. 22 in this volume.

[3] *Statistik des Deutschen Reichs*, B. 413, I. Teil, S. 274.

[4] The figures refer to industry in the narrow sense and also to the building industry; they do not include plumbing or water, gas and electricity supply.

ber of enterprises in German industry during the period was only 58,600. The increase in the number of small enterprises in certain branches of German industry in the period of the world economic crisis is a peculiar result of the immense increase in unemployment. It reflects the attempts of a very small section of the unemployed to escape from starvation by setting up small repair shops and workshops of the domestic industry type. This, however, does not imply that the position of small industry has become stronger. On the contrary, the crisis has accelerated its ruin.

In the *United States*, during the twenty years intervening between the census of 1909 and that of 1929, the share of the total value of products of the manufacturing industry produced by the big establishments with a production valued at $1,000,000 per annum and over, increased from 43.8 per cent to 69.3 per cent. The number of giant establishments (employing over 1,000 workers) increased from 540 to 996; their aggregate motive power reached nearly 12,000,000 h.p. This means that less than one thousand of the biggest American establishments own approximately two-thirds of the motive power that was at the disposal of the whole of German industry (in the broad sense) in 1925, consisting as it did of over three million establishments, including the giant enterprises referred to above.

The world economic crisis gave an added impetus to the concentration of American industry. The scale on which small industry was wiped out in the United States during the crisis is indicated by the following figures:

PER CENT INCREASE OR DECREASE IN NUMBER OF ESTABLISHMENTS IN U.S. MANUFACTURING INDUSTRY

1925-29		+12.3
1929-31		—17.1
1931-33		—18.4
1929-33		—32.4

Commenting on the figures for 1931-33, *The Conference Board Bulletin*[1] justly observes that perhaps there is hardly a figure that more strikingly reveals the severity of the crisis

[1] *Conference Board Bulletin*, October 10, 1934.

than that showing the reduction in the number of industrial establishments by 18 per cent. As a result of the ruin of small industry, the average number of workers employed per establishment in the United States in the period 1931-33 *increased* 11.4 per cent. notwithstanding the fact that the total number of employed workers *declined* by 8.8 per cent.

In *France*,[1] in the period between 1906 and 1926, the proportion of persons occupied in large industrial establishments (with over 50 occupied) to the total number of persons engaged in industry increased from 30.6 per cent to 44.8 per cent. The number of giant industrial establishments (with 1,000 occupied and over) increased from 207 to 362, and the proportion they employed of the total number of persons engaged in industry almost doubled, from 8.1 per cent. to 13.. per cent).

In *Japan*, particularly important successes have been achieved in the field of the concentration of capital and production. During the eighteen years from 1909 to 1927, the number of very large commercial and industrial companies, each having a capital exceeding 5,000,000 yen, increased eighteen-fold (from 38 to 687); their aggregate capital increased from 495,000,000 yen to 8,113,000,000 yen, and their share of total paid-up capital increased from 36.2 per cent. to 64.2 per cent. Out of every hundred workers employed in Japanese industry (taking only industrial establishments employing not less than five persons), the giant establishments (employing over 1,000 workers) employed 17 in 1914, and 27 in 1925. In the period of the world economic crisis, however, the number and proportion of the industrial establishments employing over 1,000 workers diminished somewhat, for owing to the curtailment of production in many of these enterprises the number of workers they employed was reduced below 1,000.

In *Great Britain*, also, considerable success has been achieved in concentrating capital and production. According to the returns of the industrial census of 1930 there are in the textile industry and in the smelting and working-up of metals[2] alone, 353 giant establishments, each employing

[1] Exclusive of Alsace-Lorraine, for otherwise the figures for 1906 and 1926 would not be comparable. The level of concentration of production in Alsace-Lorraine is somewhat higher than in the rest of France.

[2] Including mechanical engineering, electrical engineering, shipbuilding, automobile and aircraft industries.

over 1,000 persons. This figure is very much below the figure for the United States (667), but it is not much below the German figure (430). In regard to the proportion of the total number of persons engaged in industry employed by these giant industrial establishments, a number of branches of British industry in 1930 (textiles, mechanical engineering, electrical engineering, etc.) were approximately on the same level as those in Germany in 1925 and some were even higher. All this shows that the level of concentration of production in British industry is much higher than has been usually described in world economic literature. This has been the decisive factor in the rapid growth of British monopolies in the post-war period.

In examining the progress of capitalist concentration, Lenin laid special emphasis on the outstanding importance of the growth of combination in capitalist production. In this sphere, too, enormous changes have taken place in the post-war period. Not only have the dimensions of the combined plants in those branches of industry in which they existed before the war increased several fold, but the data quoted show that the achievements of chemistry and electricity created new opportunities for combining processes in production, and gave rise to combined plants of a new type; they widened the sphere in which combined processes can be employed. At the same time, the combined process method has been widely adopted in several branches of industry which manufacture consumers' goods, for example, the Bata Shoe Plant in Czechoslovakia, meat packing plants, etc.

This enormous (although very uneven) progress in the concentration of production does not require special explanation. It provides fresh, brilliant confirmation of the laws of capitalist development as laid down by Marx, and which Lenin developed and took as the starting point for his analysis of the latest phase of capitalism. Mention must be made, however, of the specific conditions which have facilitated the process of concentration during the past twenty years. These include:

a) The world imperialist war, which accelerated the process of concentration. During the war the unevenness of development as between the heavy and the light industries, and the "new" and the "old" industries, became extremely marked; and it was precisely those branches of industry in which the level of concentration of production was lowest that found themselves in the worst position. Simultaneously,

the enormous demand for standardised production created by the war owing to the shortage of labour power, gave a powerful impetus to the introduction of machinery and of mass production even in such industries as clothing, boots and shoes, etc., in which small production had been particularly prevalent before. These processes have been still further developed in the post-war period.

b) The increase in the productive forces of post-war capitalism—which in general has been slower than before the war, and extremely uneven—was in the main more rapid in those countries (United States) and branches of industry (heavy industry and the "new" industries) which were formerly distinguished for their high level of concentration of production. As a result, the relative importance of these countries and branches of industry in world capitalist industry has increased; and this in itself implies a higher level of concentration.

c) The important technical changes that have taken place: the increase in the dimensions of main installations such as blast furnaces, open hearth furnaces and rolling mills in the iron and steel industry, turbines in power stations, etc., and the introduction of so-called "American" methods in industry which can be employed effectively only in large-scale enterprises.

d) And finally, the fact that the competitive struggle has become exceptionally more fierce under post-war capitalism owing to the problem of markets having become bore acute and to the growth of monopoly. This has intensified the struggle between large-scale and small production, and has thus accelerated the process of concentration. The shrinking of markets, which accelerates the bankruptcy of small and medium enterprises and their absorption by the larger ones, naturally leads to the acceleration of concentration. Monopoly, which grew out of the concentration of production, in its turn, affects the process of concentration; it accelerates it by its specific methods of competition, *viz.*, by "strangling" its competitors with the aid of the peculiar influence it exercises on the character and rate of technical progress, etc. The enormous growth of monopoly during the past twenty years has therefore also been an important factor in the acceleration of the process of concentration.

However, the difficulty of finding markets, the fact that the plant is chronically working below capacity, and the re-

tarded rate of growth of the productive forces of post-war capitalism resulting from this, while accelerating the process of concentration, simultaneously create additional obstacles to capitalist concentration of production, cause all its contradictions to become extremely acute and lay bare the relative narrowness of its limits. Lenin directly points to a certain dependence of the rate of concentration of production upon the general rate of development of capitalism. He writes: ".....the more rapidly trade and capitalism develop, the greater is the concentration of production and capital...."[1] It is not an accident that the process of concentration during the past decades has been most marked in the countries (United States) and branches of industry (heavy industry, the "new" industries) which have developed most rapidly. On the other hand, Great Britain, for example, has not been able to remedy the relatively scattered nature of her iron and steel industry. To do so would have meant constructing a number of new gigantic works; but the stimulus to this was lacking owing to the fact that even the existing works have been working at their lowest capacity. Even in the United States giant automobile works like the Ford plant feel the effects of the restrictedness of markets very acutely, particularly during the crisis, when the plant was operating at low capacity, insufficient to make it pay. Hence Ford's sudden discovery that it is necessary to decentralize industry. The European countries cannot even dream of having works on this scale, for with the present capacity of the markets, no one of them could be sure of working even 20 per cent of capacity, even if all other automobile plants were closed down. The rate and scale of concentration of production under modern capitalism are increasing, but they lag behind the requirements and opportunities created by modern technique. They also lag very considerably behind the rate and scale of centralisation of capital. Capitalism makes insufficient use of the great opportunities of combined production processes which the present level of technique provides. The relative narrowness of the limits of capitalist concentration of production is brought out in striking relief on the background of the achievements of the U.S.S.R., which in a short period was transformed from a country of small and dwarf agriculture into a country of the largest scale mechanized agriculture in the world, and

[1] Cf. 235 in this volume.

which has built, and is still building giant industrial enterprises on a scale unknown in capitalist Europe.

The growing difficulties of the capitalist process of concentration of production, which reflect the increased decay of capitalism, did not, however, prevent this process from being very marked in the post-war period, including the period of the economic crisis. But these difficulties cause the contradictions of capitalist concentration to become more acute and determine the peculiar form it has assumed. The narrowness of the limits of the concentration process is expressed first of all in the fact that it is not proceeding on the lines of constructing new giant enterprises and extending old enterprises by the installation of new equipment to the same degree that it did before the war; and this means that the productive forces of capitalism are now increasing at a slower rate than was the case before the war. On the other hand, a much more rapid liquidation of smaller enterprises and a corresponding increase of production in larger enterprises are observed. This form of concentrating production is to be observed particularly within trustified monopolies, and in these cases the buying up of outsiders for the purpose of closing them down is widely practised. It goes without saying that concentration of production without the extensive construction of new giant enterprises, without the extensive installation of new equipment in the old enterprises, bears evidence of deep decay, and its possibilities are relatively limited. Nevertheless, this form of concentration provides a solid basis for the further growth of monopolist rule.

Secondly, the narrowness of the limits of capitalist concentration of production is expressed in the fact that the restricted capacity of the markets limits the possibilities of erecting giant enterprises such as the Ford automobile plant and the Gary iron and steel plant, because it pays better to build smaller enterprises which have a prospect of being operated at 60 to 70 per cent of capacity than giant enterprises which can be operated at only 20 to 40 per cent of capacity.

The growth of the contradictions in the process of concentration under modern capitalism is expressed first of all in the extreme increase of its unevenness. Unevenness has always been an attribute of capitalism; it assumes particularly large dimensions in the period of the rule of monopoly. Its increase in the post-war period is a natural expression of the extreme acuteness of the competitive struggle. The uneven-

ness of capitalist concentration explains why monopoly does not embrace all branches of industry but serves merely as a super-structure resting upon a broad base of non-monopolised production. "Not in every branch of industry are there large-scale enterprises," said Lenin,[1] emphasising the unevenness of the process of concentration. The fact that the process of concentration is becoming more and more uneven causes the gulf between the economic might of the small stratum of giant enterprises and the hundreds of thousands and millions of medium and small enterprises to become rapidly wider; and among the medium enterprises are now included such as were regarded as giants twenty or thirty years ago. But it is precisely this rapid growth of the supremacy of a few giant enterprises over all the rest that serves as a mighty factor in increasing the yoke of monopoly.

II. THE GROWTH OF INDUSTRIAL MONOPOLIES

A comparison of the data on the growth of monopolies quoted by Lenin with the latest data *not only reveals the enormous growth of monopolies, but also the obvious acceleration of the rate of growth in the war and post-war periods compared with the pre-war period.*

This is indicated by the following facts: The increase in the number of cartel agreements in Germany in the period 1896 to 1911 amounted to 300-350 (from 250 to 550-600) but in the period 1911 to 1930 the increase amounted to 1,500-1,550 (from 550-600 to 2,100). As examples of powerful monopolies Lenin mentioned the Rhine-Westphalian Coal Syndicate, the Gelsenkirchen Mining Co., the chemical combine in Germany, the U.S. Steel Corp. and Standard Oil in the United States, etc. But the present steel trust in Germany is four to five times larger than the Gelsenkirchen Co. was before the war. The capital of the present German chemical trust is twenty times larger than either of the two groups of chemical concerns to which Lenin referred. The output capacity of the United States Steel Corp. is 27,000,000 tons of steel per annum, compared with 14,000,000 tons in 1908.

Thus the United States Steel Corp. can now produce one and a half times more steel than Great Britain, Germany, France and Italy put together could produce in 1932. Nevertheless,

[1] *Cf.* p. 23 in this volume.

the United States Steel Corp.'s share of the total steel output of America has dropped, for other monopolies have arisen, primarily, the Bethlehem Steel Corp., which can produce 10,000,000 tons of steel per annum, *i.e.*, more than Great Britain produced in her best post-war years. The capital of Standard Oil (which in 1911 formally broke up into a number of independent companies in order to evade the anti-trust laws) has increased approximately twenty-fold compared with what it was in 1910; the market value of the stock of the companies it controls has reached the enormous total of over $5,000,000,000. All this indicates the tremendous growth in the size of monopolies and their economic power during the period since Lenin wrote *Imperialism*.

The increase in the power of monopolies is also strikingly illustrated by their profits. The following are a few examples: The profits of the General Motors Corp. even in the best pre-war years never exceeded $10,000,000; in 1928 they exceeded a quarter of a billion ($272,000,000). The Bethlehem Steel Corp., the second largest iron and steel trust in the United States, made as much profit in 1929 as it made during the whole of the last ten years preceding the war. In a period of six years, from 1922 to 1928, the Radio Corporation of America increased its profits sevenfold. These figures are most likely an understatement, for a large part of the profits is distributed in a concealed form. The tribute which monopolies impose upon society can be seen from the following striking examples. The net profits the United States Steel Corp. obtained in the period 1901 to 1930 amounted to about $4,500,000,000; during the period 1912 to 1930 Standard Oil made profits amounting to over $4,000,000,000; the profits of General Motors in the period 1909 to 1932 amounted to about $1,600,000,000; in the period 1915 to 1932 duPont de Nemours & Co. made profits amounting to over $1,100,000,000; the profits of the American Telephone and Telegraph Co. in the period 1900 to 1932 together with those of its subsidiary, the Bell Telephone Co., in the period 1915 to 1932, amounted to over $4,200,000,000, etc.

Combined approximate data on the level achieved in the monopolisation of production are given in the following table:

APPROXIMATE DEGREE OF MONOPOLISATION OF PRODUCTION

(Not including cartel and syndicate agreements)

Industry	Year	No. of monopolist enterprises taken into account	Degree to which they cover given industry (%)	Degree to which the largest monopoly covers given industry (%)
UNITED STATES OF AMERICA				
Anthracite	—	6	90	45
Iron ore	1931	4	60	43
Oil	1932	1	45-50	45-50
Steel	1932	3	60	40
Copper	1933	5	98	37
Aluminium	1928	1	95-100	95-100
Explosives	1917	1	65-80	65-80
Sodium	1930	1	60	60
Artificial silk	1933	6	80	33
Automobiles	1933	3	89	50
Agricultural machinery	1918	1	65	65
Electrical engineering	1923	2	75-80	40-50
Telephone and telegraph	1930	1	75	75
Radio	1930	1	95-100	95-100
Meat packing	1929	4	70	—
Sugar	1928	2	46	—
Baking	1928	3	18	—
Tobacco	1930	4	79	41
Railways	1930	14	86	12
Electric power	—	8	74	23
GREAT BRITAIN				
Iron and steel	1934	10	70-75	16
Aluminium	1928	1	100	100
Automobiles	1933	1	50	50
Shipbuilding	1926	10	66	—
Basic chemicals	1928	1	95	95
Synthetic nitrogen	1928	1	100	100
Synthetic dyes	1928	1	40	40
Artificial silk	1930	1	80	80
Cement	1926	2	60-70	—
Cotton	1932	1	20-25	20-25
Thread	1926	1	80	80
Tobacco	1923	1	60-70	60-70
Beer and spirits	1926	1	80	80
Soap	1926	1	90	90
Margarine	1932	1	90	90

Industry	Year	No. of monopolist enterprises taken into account	Degree to which they cover given industry (%)	Degree to which the largest monopoly covers given industry (%)
Rubber tires	1926	1	90	90
Wallpaper	1926	1	90	90
Railways	1931	4	95	—
Shipping	1932	6	50	—
GERMANY				
Coal	1933	10	45	17-20
Pig iron	1932	5	86	53
Steel	1932	5	73	38
Aluminium	1928	1	80-85	80-85
Automobiles	1932	4	71	30
Electrical engineering	1932	2	60-80	—
Synthetic dyes	1928	1	95-100	95-100
Synthetic nitrogen	1932	1	80	80
Mineral acids	1928	1	90	90
Artificial silk	1930	3	70	—
Potassium	1932	6	100	41
Margarine	1928	1	75-80	75-80
Shipbuilding	1929	3	75	36
Shipping	1930	1	61	61
FRANCE				
Iron and steel	1933	10	72	16
Aluminium	1928	2	100	90
Basic chemicals	1928	1	70	70
Synthetic nitrogen	1928	1	40	40
Synthetic dyes	1928	1	80	80
Electrical engineering	1931	1	60	60
Electricity supply	1931	2	90-100	50
Railways	1931	4	70	—
Automobiles	1932	3	75	33
JAPAN				
Coal	1930	2	50	30
Iron and steel	1929	3	75	42
Copper	1927	5	87	23
Synthetic nitrogen	1928	2	79	43
Cement	1932	2	70	50
Cotton	1929	5	54	14
Paper	1928	1	76	76
Flour milling	1929	2	82	45
Sugar	1928	2	78	44
Electricity supply	1930	5	50	—
Artificial silk	1933	4	73	24

SOURCES: Laidler, *Concentration of Control in American Industry*, 1931; *Handbuch der Internationalen Petroleumindustrie*, 1933-34; *American Iron and Steel Institute*, 1932; *Yearbook of the American Bureau of Metal Statistics*, 1933; *Die wirtschaftlichen Krafte der Welt*, Dresdner Bank, 1930; *Commercial and Financial Chronicle*, 1934; American Telephone & Telegraph Co. Annual Reports, *Chicago Daily Tribune*, 18, V, 1934; Neumann, *Economic Organisation of the British Coal Industry*, 1934; *Financial News*, 1933-34; *Economist*, 11, VI, 1934, 4, VIII, 1934; Fitzgerald, *Industrial Combination in England*, 1927; *Chemische Industrie*, 1933-34; *Returns of the Railway Cos. of Great Britain*, 1931; *The Stock Exchange Yearbook*, 1933-34; *Grunbuch der Aktiengesellschaften*, 1934; *Deutsche Bergwerkszeitung*, 2, VIII, 1933; *Der Deutsche Volkswirt*, 1934; *Wirtschaftskurve der Frankfurter Zeitung*, 1931; *Statistique des Chemins de fer Francais*, 1931; Inomata Tsuneo, *Financial Capital in Japan*; Takahashi Kamekiti, *Investigation of Investments of Big Concerns* (in Japanese) and periodicals for respective branches.

The actual degree of monopolisation of production is much higher than that indicated in the table. In the first place, the table does not contain all branches of industry that are monopolised. Secondly, in the branches that are given, only the biggest monopolies have been taken into account. Thirdly, a number of industries given separately in the table are often controlled by one and the same monopolies. Fourthly, a great many monopolies are closely interlocked and this fact is not brought out in the table. Fifthly, the table only deals with the biggest trusts and concerns, and entirely leaves out cartel and similar agreements.

The latter is particularly important, as is strikingly illustrated by the following example: In the German coal industry there are about ten monopolies of the trust type, and the biggest of these monopolies, the Steel Trust, controls from 17 to 20 per cent of the coal output of the country. But if we take into account monopolies of the cartel-syndicate type we shall find that the Rhine-Westphalian Coal Syndicate alone controls 99.6 per cent of the coal output of the Ruhr and 74.5 per cent of the total coal output of the country.

The degree to which separate spheres of production are controlled by cartels in Germany today[1] is illustrated by the following:

[1] It is difficult to make a similar computation for other countries. The number of industrial cartels in France and Great Britain, however, is approximately as follows:

Manufactures Controlled by Cartels	Degree of Control (%)
Potassium, pig iron, coal, iron bars, tin plate, drawn wire, electric metres, pottery, synthetic nitrogen, sugar, lime, wire netting, soap, glass, cement, cigarettes, automobile tires, tobacco, chemicals, drugs	95-100
Machinery, boilers, apparatus, railway cars, newsprint, flax yarn, jute fabrics, silk, artificial silk	80-95
Alloy steels, salt, fabric belts	60-70
Window glass, cotton fabrics	40-50

The degree of monopolisation indicated in the above table is an underestimation; nevertheless, it gives an idea of the enormous power wielded by the monopolies, uneven though that power is in the different industries and countries.

How is the fact that the power of monopolies is growing at such an extremely accelerated rate in the midst of the general crisis of capitalism to be explained? The most important factor in the growth of monopoly was the progress made in the concentration of capitalist industry during the war and in the post-war period. Simultaneously, the following factors were particularly effective in accelerating the growth of monopoly during the last decades:

a) The imperialist war, which greatly accelerated the growth of monopolies. Speaking of monopolies, Lenin said: "The war increased their number, role and importance tenfold."[1] The monopolies became the core of the state-capitalist

	France	Great Britain
Total number of cartels	87	181
Cartels in:		
Heavy industry (mining, iron and steel, mechanical engineering, electrical engineering, chemicals)	64	109
Light industry (textiles, leather, paper, food products)	16	42
Building and building materials	5	29

Sources: Wagenfuhr, *Kartelle in Deutschland*; Fischer-Wagenfuhr, *Kartelle in Europa (ohne Deutschland)*; *Kartellrunsdchau*, 1928-34; *Wochenbericht des Instituts fur Konjunkturforschung*, 22, VIII, 1934; *Frankfurter Zeitung*, 23, IX, 1934.

[1] Lenin, *Collected Works*, Vol. XXI, p. 187, Russ. ed.

organisations which during the war controlled industry, and distributed orders and raw materials (the war corporations and munition industry combines in Germany, United States and other countries). This greatly strengthened the position of the monopolies, and the latter took advantage of this not only for the purpose of making huge super-profits out of the war, but also for the purpose of widening their spheres of domination by eliminating outsiders, in order to capture new branches of industry, etc. In this they were directly assisted by the state, which not infrequently created monopolies by compulsory and semi-compulsory methods. The whole system of war-time state-monopoly capitalism, which grew out of the domination of the monopolies, was at the same time a powerful lever for increasing this domination.

b) Never in the history of capitalism has the process of centralisation of capital been so rapid as it was during the war and the post-war periods. This could not but accelerate the growth of monopolies. The war and the huge super-profits it provided for a handful of monopolists, thus causing universal impoverishment; inflation in the first years of the post-war period, when colossal fortunes were made within a few months causing the ruin of the broad masses of the people; the exceptionally acute competitive struggle that broke out in the post-war period; and finally, the exceptionally acute and prolonged world economic crisis—all this served to accelerate the centralisation of capital and thus facilitated and accelerated the growth of monopolies.

c) The growth during the war and post-war periods of the "new" industries, which from the start were always on the highest level of monopolisation, also served to accelerate the growth of monopolies. The most rapid growth of monopolies was observed in the chemical, automobile, oil, aluminium, artificial silk industries, etc. This was facilitated by the high level of concentration of production and of the organic composition of the capital in these industries. In those countries where these industries were introduced for the first time, they immediately assumed the form of powerful monopolies. The table on pages 290-91 in this volume shows that these industries hold first place in regard to the level of monopolisation.

d) The fact that the industrial apparatus is chronically working below capacity, and the specific difficulties in obtaining markets that arose in the post-war period, have also helped to accelerate the growth of monopolies. For example, one of

the most important factors which stimulated the creation of the German Steel Trust in 1926 was the effort to concentrate the largest possible number of enterprises under a single ownership in order to close down the smaller and more backward enterprises and thus to run the larger and technically better equipped enterprises at fuller capacity. Another stimulus was the effort to create conditions for introducing greater specialisation for the various enterprises. This example is very typical of the rapid trustification movement that assumed very large proportions in the period of capitalist stabilisation, and which became inseparably interwoven with the so-called "rationalisation" of industry. The expansion and strengthening of monopolies, the transition from the lower to the higher forms of monopoly (particularly to combines of the trust type), these were the lines on which the monopolies strove to increase their super-profits when markets were hard to find, when enterprises were working below capacity, and when the struggle for world markets assumed unprecedented acuteness.

e) As a result of the particular severity of the struggle for world markets, the growth of monopoly was greatly accelerated even in those countries which had formerly lagged behind in this respect. This applies primarily to Great Britain, where this acceleration was due in a large degree to the growth of the "new" industries. But important changes also took place in the "old" industries, particularly immediately before the crisis and during the crisis. It is sufficient to mention the formation of the Lancashire Cotton Corporation, one of the largest monopolies in the world cotton industry, to illustrate this point. The data quoted on pages 50, 51, 52, 53 in this volume show that the growth of British monopolies, which increased in the period 1926-29, assumed particularly large dimensions during the period of the world economic crisis. Of course, this does not mean that Great Britain has already caught up with Germany and the United States in regard to the degree of monopolisation of industry. Great Britain still lags behind in this respect, and the principal obstacle that hinders the growth of British monopolies is the fact that the "old" British industries lag behind the corresponding industries in Germany and the United States in regard to degree of concentration of production.

f) A by no means unimportant factor in the acceleration of the growth of monopoly was that the unevenness of capitalist development became extremely marked in the post-war

period. The rapid growth of French industry in Europe, and the still more rapid growth of Japanese industry in Asia, were accompanied by an accelerated growth in the power of monopoly in those countries.

The power of the Japanese monopolies is strikingly illustrated by the fact that the four biggest concerns in that country control about half of the total paid-up capital of all companies in Japan. The fact that the colossal growth of Japanese monopolies is taking place when relations of a feudal type still play an important role in the country merely serves to increase the oppression exercised by these monopolies.

During the period of the economic crisis we witnessed the collapse of a number of big monopolies owing to their failure to withstand the competition of their more powerful rivals. Taken as a whole, however, the period of crisis was a period in which the role of monopolies, and the oppression they exercised, increased to a considerable extent.

The following figures, although incomplete, are nevertheless sufficient to indicate the changes that have taken place in the sphere of cartelisation during the period of the world economic crisis:

NATIONAL CARTELS IN PERIOD OF ECONOMIC CRISIS[1]

(January 1930 to August 1934)

	11 European countries	Germany only
Cartels revived	132	61
Collapsed	89	49
Newly formed	277	142

The period of crisis witnessed the collapse of numerous cartels, many of which were subsequently revived. But the number of newly formed cartels exceeds the number that collapsed, even if allowance is made for the fact that many cartels which actually ceased to function in the first years of the crisis were not officially dissolved, and therefore were not included in the figures of dissolved cartels. As a matter of fact, as a result of the crisis, the degree of cartelisation increased to a considerable extent. It is characteristic also that in Ger-

[1] Calculated by the "Konjunktur" Dept. of the Institute of World Economics and World Politics, Moscow, on the basis of data published in *Kartellrundschau*, 1930-34.

many, the country in which the cartel system is most highly developed, the rate of *collapse* of cartels sharply diminished during the two years from July 1932 to August 1934, whereas the rate at which new cartels were formed has greatly increased compared with the first years of the crisis. This is shown in the following table:

NATIONAL CARTELS IN GERMANY[1]

	Annual Averages for Period	
	Jan. 1930 to June 1932	July 1932 to July 1934
Cartels revived . .	. . 13	14
Collapsed . .	. . 15	5
Newly formed . .	. . 18	47

The considerable acceleration of the process of cartelisation during these two years was due to the crisis passing into the "depression of a special kind," and particularly to the policy of compulsory cartelisation pursued by the fascist government of Germany.

An important instrument for strengthening monopolies during the crisis was the buying up of the shares of competing enterprises which had depreciated as a result of Stock Exchange slumps. It is also extremely characteristic that during the crisis the monopolies very widely utilised the authority, and particularly the treasury, of the state in order to strengthen their position.

In all countries during the crisis, the monopolies, threatened with bankruptcy, obtained billions in subsidies with the aid of which they brought about what was called the "reconstruction" of their enterprises. For example, the reconstruction of the Dresdner Bank alone cost the German government more than half a billion marks. On preceding pages the reader will find characteristic examples of the manner in which state funds were widely used for the purpose of saving the monopolies from bankruptcy. There were other ways, too, by which the monopolies extracted funds from the state treasury: for example, subsidies for the building of munition works, government orders, particularly orders for armaments, etc. Taxation, which inexorably reduces the standard of living of the toilers, serves here as a material source for the enrichment of the monopolists.

[1] *Ibid.*

In the process of the struggle for a capitalist way out of the crisis, measures were adopted in several countries which, directly or indirectly, led to the strengthening of the domination of monopolies. Among these were the so-called "codes of fair competition" introduced by Roosevelt in United States industry; compulsory curtailment of production (the most striking example of which was the closing of oil wells by armed force in the United States); the compulsory syndication and cartelisation of enterprises, or compelling outsiders to join existing syndicates or cartels (compulsory membership of the wire cartel, the cement syndicates, cigarette cartel, paper cartel, glass cartel, salt cartel, dairy produce syndicates, etc., in Germany, the compulsory cartelisation of the iron and steel industry in Italy, the cartelisation of a number of industries with the aid of the state in Japan, etc.); the introduction of state control over new industrial construction and the direct prohibition of such construction in various industries in Germany, Italy and other countries, and a number of other measures of a similar kind. In a number of cases, the measures facilitating the strengthening of the monopolies were camouflaged by demagogic phrases about "restricting" the sphere of operation of monopolies. This applies particularly to the policy pursued by the government of fascist Germany. The case of the German Steel Trust is characteristic in this respect. In 1932, when the directors of the trust were in financial difficulties the German government purchased the control block of shares of the Gelsenkirchen Mining Co., by which the state obtained control over the Steel Trust. The shares were purchased at a price far exceeding the market price on the pretext that it was done to prevent them from passing into foreign hands. In 1933, the fascist government, under pressure of the manufacturers, brought about the "reorganisation" of the trust, as a result of which the government lost the position in the trust which it had acquired by purchasing the shares. The reorganisation, which took the form of technical and production decentralisation and the formation of thirteen separate companies, actually increased the role of the leading men in the trust. Thyssen, the actual head of the trust, is a member of the board of every one of these companies; these boards have no power to deal with questions of finance, investments and the purchase of raw materials; these matters are dealt with by the central body. The outcome of the two operations, each of which was carried out on the plea of protecting "public

interests," was that the government made a present to the leaders of the steel trust of the nice round sum of 100,000,000 marks.

The Social-Democrats, misinterpreting the real position, tried to make it appear that the government's measures for the purpose of strengthening the positions of monopolist capital signified that capitalism was entering into a new era, *i.e.*, the era of state capitalism, in which, they alleged, the private interests of the monopolies are subordinated to the interests of the state. But it is precisely the growth of the tendencies towards state capitalism in the period of the crisis and of the depression of a special kind which, by increasing the oppression of finance capital, more glaringly than ever proves that "state monopoly in capitalist society is nothing more than a means of increasing and guaranteeing the income of millionaires on the verge of bankruptcy in one branch of industry or another."[1]

III. THE GROWTH OF BANK MONOPOLIES AND OF THE FINANCIAL OLIGARCHY

The much higher level attained in the concentration of capitalist production and the even greater increase in the dimensions, number and importance of industrial monopolies, brilliantly confirm the truth of Lenin's theory of imperialism. Lenin's thesis that: "the rise of monopolies, as the result of the concentration of production, is a general and fundamental law of the present stage of development of capitalism,"[2] is here put to an excellent historical test. Similarly, the new data on the concentration of banks and the growth of bank monopolies also confirm the truth of this theory.

In Lenin's opinion, one of the most important indices of the degree of concentration of banks and of the change which their role in capitalist economics has undergone, was the enormous increase in bank deposits. But never, perhaps, has this increase been so rapid as it has been in the post-war period. In order to illustrate the rapid increase in bank deposits Lenin points to the increase in the deposits of the German banks during the last five years before the war by 2,800,000,000 marks, or by almost 40 per cent. In the period

[1] Cf. p. 78 in this volume.
[2] Cf. p. 26 in this volume.

of inflation, deposits in German banks catastrophically declined, and in 1924 they dropped to about one-fifth of the level of 1912-13. During the three subsequent years (1924 to 1927), however, deposits increased sevenfold, and exceeded the level of 1912-13 by almost 40 per cent. During the next two years there was a further increase in deposits of about 3,500,000,000 marks; and it was only during the crisis that this rapid increase ceased and a decline set in. During the thirty-three years preceding the war (1880 to 1913) the total deposits in banks and savings banks in the four biggest imperialist countries—i.e., Great Britain, Germany, France and the United States—increased by an equivalent of 127,000,000,000 marks, and during the subsequent fifteen years (1913 to 1928) they increased by an equivalent of 183,000,000,000 marks. This shows that during the period of the general crisis of capitalism, the process of concentration of social wealth in the hands of the magnates of finance capital was accelerated to an enormous degree.

The increase of the role and importance of the big monopolies in the banking system was even more rapid. From 1914 to 1933, six existing German banks (of which three were Berlin banks) absorbed 191 banks having 1,699 branches. The very diminution of the number of big banks controlling the credit resources of the country is in itself instructive. For 1912-13 Lenin gives the figure of nine big Berlin banks, of which six were very big banks; but as a result of a number of mergers which took place in the post-war period, particularly during the period of the economic crisis, their number was reduced to four, of which three are giant banks of colossal power. But the share of the total bank deposits held by these four banks amounted to 63 per cent in 1931, whereas in 1912-13 the share of nine banks was only 49 per cent. Before the war, the six big Berlin banks had 450 branches, agencies, controlled banks, etc., whereas in 1932, three banks had 844 institutions of this kind.

Data for other countries also corroborates the fact that the power of finance capital is increasing with astonishing rapidity in the post-war period. In the United States, during eleven years (1923 to 1934), the share of total deposits held by banks having a capital of over $5,000,000 each more than doubled (from 22 per cent to 43 per cent). In Japan, during nine years (1926 to 1935), the share of total deposits held by five big banks increased from 24 per cent to 43 per cent. A particularly large increase in the importance of bank monopolies

compared with the pre-war period is observed in Great Britain. The share of total deposits held by the five big British banks increased from 27 per cent in 1900 to 40 per cent in 1913, and by 1924 it had increased to 72 per cent. This unexampled growth in the importance of the big banks which led to the formation of what is known as "the Big Five," was brought about as a result of a number of bank mergers and absorptions. Lenin mentions that in 1910 the British banks had 7,100 branches; in 1935, over 5,000 new branches had been added to these.

The number of branches of French banks increased more than 150 per cent compared with the pre-war period.

The enormous concentration of banks is illustrated in the following table:

DEPOSITS OF THE BIGGEST BANK

(millions)

	1913	1936
In Great Britain (£)	89	487[1]
In Germany (M) .. .	1,573	2,652[2]
In United States ($)	181	2,266[3]

An important factor in this astonishingly rapid concentration of the banks was the world economic crisis. During the crisis there was a marked decline in total bank deposits in the majority of countries. The crisis shook the banking system very severely and caused the bankruptcy of such giants as the Danat Bank and the Dresdner Bank in Germany. The credit crisis, among other things, caused the bank monopolies to resort to the state treasuries for the purpose of reinforcing their position; and it also hastened the bankruptcy of the small banks. In the United States, for example, in the period from 1921 to 1929, when the concentration of banks on the whole proceeded at a very rapid rate, about 4,000 small banks failed. During the period of the crisis, 1,352 banks failed in 1930, 2,294 in 1931 and 1,456 in 1932. From 1929 to December 1933 the total number of banks in the United States was reduced from 25,000 to 15,000.

A similar but more rapid process took place in Japan,

[1] Midland Bank, Ltd.
[2] Deutsche Bank—Disconto-Gesellschaft.
[3] Chase National Bank.

where the number of banks diminished from 2,155 in 1914 to 1,001 in 1929, and to 563 in 1935.

The crisis of 1929, and the years immediately preceding this crisis witnessed the largest bank mergers. This was a reflection of the enormous growth of industrial monopolies, and was at the same time an important instrument for the further acceleration of this growth.

Simultaneously with the growth of the power of bank monopolies, there was an increase in the process of coalescence of the latter with the industrial monopolies. In proof of the high degree of this coalescence, Lenin quotes Jeidels, according to whom, in 1903, the six Berlin banks had their representatives in 751 companies. As a result of mergers the number of banks had been reduced by half in 1932, and the number of companies in which they had representatives was at least doubled. These figures give only a faint idea of the real extent to which the connection between the banks and industry has grown during the past decades.

Lenin wrote: "The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy."[1] It is obvious that the enormous acceleration of the growth of industrial and bank monopolies which occurred during the war and in the post-war period could not but have been accompanied by an unprecedented growth of the power of the financial oligarchy and of the rentier. As important evidence of the growth of finance capital and of the financial oligarchy Lenin quoted the enormous increase in total capital issues in the first decade of the twentieth century, during which they increased from 100 billion francs to 198 billion francs. But in the period 1921 to 1930, this total had increased to about 550 billion francs of pre-war parity. In the five years 1926 to 1930 alone, new securities were issued amounting to 333 billion pre-war francs, which is a threefold increase compared with the pre-war level. Total current securities also increased to a large extent, and it is instructive to note in this connection that the total value of securities quoted on the *New York Stock Exchange alone* in January 1929 (calculated in pre-war francs) was greater than the total value of securities current in the *whole of the capitalist world in* 1910.

The growth of the financial oligarchy implies an increase

[1] Cf. p. 120 in this volume.

in the tribute which this oligarchy imposes upon society. First of all, promoters' profits have increased enormously compared with those in the pre-war period. Lenin quotes data showing that bank profits derived from the issue of industrial shares in Germany constituted on an average 50 per cent. But the total issue of securities has increased enormously, and with that the income from the issue of securities must have increased also. In particular, the considerable "watering" of the capital of the big monopolies in the post-war period is evidence of the enormous increase in the profits of the financial oligarchy. The watering of capital is a favourite method of obtaining promoters' profits and of concealing from the public the actual amount of profits obtained.

An important source of profit for the financial oligarchy is stock exchange speculation. This has grown very rapidly in the post-war period. It is sufficient to state that in the United States, in the two and a half years preceding the crisis, the price of stocks increased 2.3 times, and that in the period of the crisis the price of stocks fluctuated twenty, thirty, forty per cent and more in the course of weeks or even days. This tremendous fluctuation in the price of stocks provided the big stock exchange sharks with opportunities to make huge profits by ruining large numbers of small investors. The loss in stock exchange values during the period of the crisis in the United States alone amounted to scores of billions of dollars; but by the very nature of stock exchange speculation, the loss of some is a source of profit for others. In particular, stock exchange failures were widely utilised by the big monopolies for the purpose of buying up the shares of a great number of enterprises for next to nothing. Lenin wrote:

> "....The development of capitalism has arirved at a stage when, although commodity production still 'reigns' and continues to be regarded as the basis of economic life, it has in reality been undermined and the big profits go to the 'geniuses' of financial manipulation. At the basis of these swindles and manipulations lies socialised production; but the immense progress of humanity, which achieved this socialisation, goes to benefit the speculators."[1]

During an economic crisis, when the catastrophic diminution of the number of workers exploited cannot be fully compensated by increasing the rate of their exploitation, the proportion of profits obtained from speculation to total monopoly income increases with particular rapidity. On the basis of

[1] Cf. p. 32 in this volume.

the general increase in speculation "legitimate" forms of income from stock exchange speculation and stock exchange swindling are supplementary by frauds like the Stavisky affair in France, which came to light in the beginning of 1934 and involved a sum of about a billion francs. The parasitic nature of the financial oligarchy reveals itself here in all its nakedness.

One of the most important bases of the power of the financial oligarchy is the holding system. A comparison between the data quoted by Lenin and the new data shows that in this sphere, also, monopoly has made enormous progress. The role of joint stock companies has greatly increased. The variety of organisational forms which the control and holding systems assume has increased considerably. The data quoted on preceding pages shows that with the aid of a multiple storey system of holdings, the monopolists obtain control over a group of joint stock companies, even if they own only an insignificant share (one per cent and less) of their capital. The control of the capital of numerous enterprises by a single centre by means of the holding system has reached enormous dimensions. For example, in his book, *The House of Morgan*, L. Corey calculates that the capital controlled by Morgan and his partners on the eve of the crisis amounted to $74,000,000,000; they held in their hands 72 corporations with assets amounting to a total of $20,000,000,000. According to the figures published in May 1929 by the American Bankers' Association, twenty-four New York bankers are directors of 438 enterprises, of which 297 are industrial and commercial enterprises; one of these bankers heads 47 concerns, etc. An official document submitted to the United States Congress points out that in the public utility companies alone there are 90 persons each of whom is a member of the board of directors, or supervisory board, of no less than 50 enterprises, and fifteen of whom are directors of 2,117 enterprises. The same is the case in other countries, although on a smaller scale.

Thus, it can be said that the number of persons who actually control the wealth of capitalist society is steadily diminishing. Lenin referred to three hundred capitalists who governed Germany; but under post-war capitalism their number is much smaller. The pro-fascist writer Ferdinand Fried, in analysing the "oligarchy of wealth" points out that 100 to 140 persons hold the economic key positions in Germany. The former United States ambassador in Berlin, Gerard, gives a list of 64 persons who control the wealth of the United States.

Bergwerkszeitung, the organ of German heavy industry, points out that only 100 persons control the joint stock companies in France, and that at the head of this 100 there are two men who are the embodiment of the whole might of finance capital in the country.

IV. THE EXPORT OF CAPITAL

The latest data on the export of capital also prove that the principal features of the economics of imperialism that were revealed by Lenin have undergone further development. This is extremely important, for, according to Lenin, the export of capital is "one of the essential economic bases of imperialism." A comparison between the data on capital exports quoted by Lenin and later data reveals the following:

1. *A large increase in total foreign investments.* For the four countries, Great Britain, United States, Germany and France, the increase in 1930 compared with 1914 amounts to an equivalent of 20 to 40 billion pre-war francs. This increase took place in spite of the fact that a considerable amount of foreign investments were lost as a consequence of the imperialist war and the October Revolution. Germany lost all her foreign investments (about 44 billion francs), France lost 23 billion francs, Great Britain was compelled to dispose of one-fourth of her foreign investments in order to finance the war, etc.

2. *Important changes in the roles of various countries in the capital export market.* The most important of these are the passing of the role of principal exporter of capital from Great Britain to the United States, and the cessation of capital exports from Germany. The United States has increased her foreign investments 8 to 9 fold, and has almost caught up (if war loans are included, has actually caught up) with Great Britain, whose foreign investments accumulated over a long period of years. It is important to note that the increase of the United States' foreign investments occurred at a time when Great Britain and France(not to speak of Germany) have evidently not exceeded their pre-war total of foreign investments to any extent, notwithstanding the large capital exports in the period of stabilisation.

3. *Important changes in the direction of capital exports.* First of all, Russia has dropped out as a sphere of investment and as a source of super-profit. Secondly, Germany has now

entered the list of countries which import capital. The technically and economically most advanced country in Europe has now become a source of super-profit obtained from capital exports. Thirdly, owing in the main to United States expansion, the importance of Central and South America as spheres of foreign investments has increased. Taking advantage of her financial and economic superiority, the United States is utilising her increased investments in these countries, in addition to other economic and extra-economic measures, to squeeze Great Britain out of these markets, and to strengthen her own position on the American continent. Fourthly, the importance of China as a sphere of investment has greatly increased. According to Remer (*cf.* page 145 in this volume), from 1914 to 1929-30, foreign investments in China increased from $1,610,000,000 to $3,243,000,000. Of this total, Japanese investments account for an increase from $220,000,000 to $1,137,000,000; British investments increased from $608,000,000 to $1,189,000,000 and those of the United States from $49,000,000 to $197,000,000. The figures for the U.S.A. are obviously an underestimation.

4. *A tendency towards retardation of the rate of capital exports.* While the rate of capital exports from the United States (and from several other countries during the period of stabilisation) was accelerated, the export of capital from imperialist countries as a whole (except for certain years) was undoubtedly slower compared with the pre-war rate. It is sufficient to mention that during the period 1902 to 1914, the increase in foreign investments from four countries ranged from 70 to 100 billion francs of pre-war parity, as against an increase of 20 to 40 billion francs during the period 1914 to 1930.

The slowing down of the rate of capital exports cannot be explained by the fact that Germany has dropped out as an exporter of capital, for the difference thus caused is more than compensated for by increased capital exports from the United States.

Nor is it possible to speak of the diminution of the role of capital exports as a weapon in the struggle for spheres of influence in general, and for markets in particular. The post-war period has witnessed a particularly sharp increase in the acuteness of this struggle, and this necessarily served as an increased stimulus to the export of capital. Evidently also, the diminution in the rate of capital exports cannot be ascribed

to the diminution in the resources for such exports. It is generally known that Great Britain, France and other countries have had large amounts of free capital in the post-war period. A large portion of this free capital flows from country to country in the form of short-term investments, and thus serves as a contributory factor in the instability of the world money market and in the growth of stock exchange speculation. The fact that investors are less eager today to invest in long-term investments than they were before the war is due to the unstable position of capitalism in the midst of its general crisis, to the shrinking of the realm of capital as a consequence of the formation of the Soviet Union, and to the growth of colonial revolutions. An important factor that served to retard the export of capital during the period of the world economic crisis was the disorganization of world economic intercourse as a result of the depreciation of currency, the ban on gold exports, refusal to meet foreign debts and commercial obligations, etc.

The Great Socialist Revolution deprived western capitalism of billions of money invested in tsarist Russia. This huge country no longer serves as a profitable market for export capital.

The growth of colonial revolutions, particularly of the Chinese revolution, is causing the imperialists to become concerned about the safety of their investments in backward countries and thereby lessens the stimulus to make new investments. Nor are investors sure of the safety of their investments in European countries owing to the instability of the political situation in those countries and their severe economic position.

The greatly enhanced danger of a new world war on the part of the fascist aggressors and the wars carried on by them in China, Spain and Abyssinia are a particularly great hindrance to the export of capital. Finally it must be borne in mind that during twelve or fifteen years of the past two decades specific obstacles to the export of capital have existed. First of all, there was the period of the war, when the belligerent countries were largely cut off from the outside world. Secondly, there was the period of post-war inflation, which greatly hindered long-term foreign investments. Thirdly, there was the period of the world economic crisis. The later led to the bankruptcy of a number of states which were unable to pay interest and sinking fund payments on foreign obliga-

tions. During the period of the crisis, a large portion of foreign investments depreciated in value and the incomes received from them appreciably declined; the export of new capital greatly diminished. All these were factors that hindered the export of capital.

The tendency towards the retardation of the rate of capital exports from a number of European countries in the post-war period does not imply, as we shall show below, that the role of capital exports as a form of the parasitic degeneration of capitalist economy ("the export of capital is parasitism squared," as Lenin wrote) and as a weapon in the struggle for the repartition of the world, is diminishing.

V. THE GROWTH OF INTERNATIONAL MONOPOLIES

In regard to international cartels and the growth of gigantic "super-monopolies" which bring about the economic partition of the world, the new data not only brilliantly corroborate Lenin's theory, but also show that the features of imperialism which Lenin revealed have become very much more marked.

The war, which greatly strengthened monopolies at home, struck a severe blow against international cartels and caused the collapse of the overwhelming majority of them. This collapse was not by any means caused by the patriotism of the monopolists in the belligerent countries. In fact, some of the international combines continued to operate in one form or another during the war. Among these were the International Carbide Syndicate, the Nobel Dynamite Trust, etc., which operated in spheres of industry of enormous military importance. Nevertheless, the countries which were fighting against each other continued to participate in them. But firstly, the war dislocated the world market. Secondly, the basic industries in the belligerent countries ceased to supply the world market as they were entirely loaded up with war orders. Under these circumstances, the international agreements for the division of foreign markets lost all significance for them.

In the first years of the post-war period the international cartels revived very slowly. Their revival was hindered by inflation, owing to which many countries did not want to bind themselves by agreements that would prevent them from resorting to dumping on the world market with the aid of depreciat-

ed currency. International cartels began to grow again only in the period of the stabilisation of capitalism. The more astonishing is it therefore, that by 1931 the number of international cartel agreements had reached 320, *i.e.*, had exceeded the level of 1910 more than threefold. This is evidence of the exceptionally rapid development of international cartels in the period of the stabilisation of capitalism. The following is a list of the most important international cartels and syndicates that have arisen in the past decade, showing the share of world production they each controlled in the respective years.

APPROXIMATE SHARE OF CAPITALIST WORLD PRODUCTION CONTROLLED BY INTERNATIONAL CARTELS

	Year	Share of world output (%)
European Steel Cartel	1929	32
	1936	45
Copper Cartel	1932	90
Rail Cartel	1932	over 85
European Rolled Wire Cartel	1931	39
The Lead Pool	1929	40
The Tin Cartel	1932	83
International Synthetic Nitrogen Syndicate	1932	67
Potassium Syndicate	1932	91
Artificial Silk Cartel	1929	70
Electric Bulb Cartel	1934	90
Rubber Producers' Convention	1936	97

SOURCES: *Statistisches Jahrbuch fur die Eisen-und Stahlindustrie*, 1930-32; Palot, *Strukturwandlungen in der Internationalen Kupferwirtschaft*, 1932; *Statistisches Jahrbuch fur das Deutsche Reich*, 1930-33; *Report of the British Federation of Sulphate of Ammonia Producers*; *Chemische Industrie*, 1930-34; *The Times*, Trade and Engineering Supplement, 1931.

The crisis brought about the collapse of several of these cartels (copper cartel, the lead pool, etc.). The reasons for this were: the extremely acute competition, the dislocation of the world market, inflation in a number of countries, the unprecedented development of dumping in all its forms and the extreme increase in the uneven development of capitalism during the crisis, as a result of which conditions of produc-

tion in the various countries and the relation of forces between them changed so rapidly that more or less durable international cartel agreements, which are based on this relation of forces, became less possible. But the temporary *decrease* in international cartelisation does not imply a *decrease* in the economic partition of the world among monopolies. In the first place, the collapse of some international cartels was immediately compensated for to some extent by the rise of others. This collapse of some and formation of other international combines is due to the change in the relation of forces between the various members of the international cartels. As we have seen, on the whole, there is now a large increase in the number of international cartels compared with pre-war times. Secondly, international cartels are only a *part*, and in a number of leading industries by no means the decisive part, of these super-monopolies which partition the world markets among themselves. In analysing the economic partition of the world, Lenin did not concentrate attention on international cartels, but on trusts and concerns of world-wide importance, such as the General Electric Co., Standard Oil, etc.

The changes in these trusts and concerns reveal even more distinctly the enormous progress that has been made in regard to the partition of the world markets among the monopolists in the post-war period. The following are a few examples: by 1929, the General Electric Co. had increased its turnover nearly sixfold compared with 1910. By purchasing 30 per cent of the shares of the A.E.G. it subordinated to itself the second largest electrical engineering trust in the world with which it had, in a "friendly" way, shared the world since 1907. Its influence extends to the largest electrical concerns in Great Britain, France and other countries.

At the present time all the big electrical engineering firms in the world are interlocked by the holding system and agreements. This, however, does not prevent them from fiercely competing with each other. In the oil industry, as is well known, all the oil sources and markets (except those in the Soviet Union) are divided among three world trusts. Although engaged in fierce competition, these trusts conclude agreements with each other for certain definite purposes. In the chemical industry, three monopolist groups, in the main, share the world market; in addition, however, they have concluded a number of local agreements. Many more examples of a similar nature could be cited.

The growth of the power of the monopolies which divide the world market among themselves is not the only new feature of the economic partition of the world among supermonopolies; the number of objects that are divided has increased also, particularly the "new" industries. Under pre-war capitalism there were no powerful world monopolies in automobiles, synthetic nitrogen, artificial silk, etc., such as exist now. There were no world giants like Unilever, the margarine concern which combines 400 companies in 51 countries, of which the combined capital of 38 companies alone amounts to over £200,000,000. Before the war there was nothing to equal the Kreuger Match Trust, which collapsed during the crisis. It owned 150 match factories in 35 countries; it had the match monopoly, or a share in the state match monopoly, in 15 countries, and had holdings in iron, gold, silver, copper and phosphorus mining companies, in wood-pulp, electrical engineering, railway and other companies.

On the other hand, the following circumstances are particularly important in principle. Firstly, the October Revolution deprived the international monopolies of the enormous market of the U.S.S.R. as an object for division. Secondly, the whole policy of the Soviet Union in entering the world market as an independent factor hinders the international monopolies from carrying out their policy of economically dividing the world among themselves in those spheres of world trade in which Soviet exports play a prominent role.

VI. THE DIVISION OF THE WORLD AMONG THE IMPERIALIST COUNTRIES

A comparison of the data quoted by Lenin on the partition of the world among the great powers with the latest data on this subject not only shows the further development of the fundamental features of imperialism that were revealed by Lenin, it not only shows that Lenin's theory of imperialism has stood the test of history; it also reflects those decisive features of the present epoch which determine its character as the epoch of the general crisis of the capitalist system, the epoch of the world proletarian revolution. The most important changes that have taken place in regard to the partition of the world are the following:

1. Tsarist Russia has dropped out of the fold of imperial-

ist powers. The "prison of nations," as it was called, has been transformed into a free union of nationalities enjoying equal rights, which, on the basis of an enormous increase in the productive forces, are developing a culture that is national in form and socialist in content. Hence, the great changes that are taking place in the colonial world. According to the data quoted by Lenin, on the threshold of the twentieth century, 56.6 per cent of the area of Asia consisted of colonies (not including semi-colonies or Korea). In 1932 the colonial area had been reduced to 20.6 per cent (including Korea, but not the provinces in China recently occupied by Japan). This indicates a reduction in the area of colonial possessions on the continent of Asia by 64 per cent compared with that at the beginning of the twentieth century. This enormous reduction is due to the emancipation of the Asiatic part of Russia—Siberia and Central Asiatic Russia, which were included in the category of colonies in Lenin's figures.

2. In the tables quoted by Lenin, China is included in the category of semi-colonies. The Chinese revolution and the anti-Japanese national united front established in China introduced in these tables an amendment of world-historical importance. The Chinese people are courageously and successfully fighting against the attempts of Japanese imperialism to turn China into its colony and for the complete emancipation of their country. The Mongolian and Tanna Tuva People's Republics have also freed themselves from imperialist subjection.

3. In the data quoted by Lenin, Turkey, Iran and Afghanistan are also included in the category of semi-colonies. Today, however, Turkey has achieved her independence as a result of her war of liberation, and Iran (Persia) and Afghanistan have made considerable progress in the same direction.

All these changes, taken together, signify that the colonial monopoly of imperialism has been undermined to an enormous extent. The liberation of the tsarist colonies was the direct result of the October Revolution; but the revolution in China, the liberation of Turkey, etc., were also the result of the direct influence of the October Revolution. This became possible only because the October Revolution transformed Russia from a bulwark of world reaction which crushed the national liberation struggle, into the principal bulwark of this struggle. The erection on the territory of the former tsarist colonies of gigantic industrial enterprises equal to the largest in the world, the

enormous successes in socialist construction achieved by the formerly oppressed nationalities of the U.S.S.R., and the rapid development of their national culture, are mobilising the toilers of the East for the decisive battle with imperialism. The Chinese nation is in the vanguard of this gigantic struggle.

4. On the other hand, a comparison of the data quoted by Lenin with that of 1932 also reveals that the sphere of colonial rule is expanding mainly as a result of the transformation of semi-colonial and semi-dependent countries into colonies. On preceding pages we gave a list of the important colonial conquests in modern times; but this expansion of the sphere of colonial rule is most strikingly illustrated by the conquest of Abyssinia by Italy and the conquest of Manchuria and parts of Northern and Central China by Japan. The noteworthy thing about this is the fact that Lenin's forecast that the future attempts of imperialism to enlarge its colonial possessions will proceed primarily along the lines of a struggle to bring about the final partition and subjugation of China, has been brilliantly corroborated. Japan is conducting a predatory war against China with the object of turning her into a colony. However, there is every reason to believe that the imperialist plans of Japan will prove an utter failure in view of the ever growing heroic resistance of the Chinese people.

5. Finally, the latest data reveals the important regrouping that has taken place in the distribution of colonies among the imperialists. The repartition of the world, which was brought about on the basis of the relation of forces created in the process of the World War, eliminated Germany from the list of colonial powers and increased the colonial possessions of Great Britain, France, Italy and Japan. Today, we are on the threshold of a new world war for a new repartition of the world; Japan's invasion of China, Italy's invasion of Abyssinia and Italo-German intervention in Spain mark the beginning of this war. Through the medium of their fascist agents, the magnates of finance capital in Germany, who are dreaming of *revanche*, are feverishly preparing for war. German fascism is the principal instigator of the impending world war. The extent to which the new conflicts for the repartition of the world have matured is indicated by the fact that today the distribution of colonies is more uneven than ever, and corresponds to the economic and military might of the respective powers still less than was the case in 1914. To prove this it is sufficient to point to the fact that Great Britain, which has

lost a number of important positions in world economy during the past two decades, has more colonies today than she had before the war, and that Japan, whose technical and economic development is not only very much below that of the United States but also of that of the big imperialist states in Europe, is striving, by the conquest of Manchuria and North China, to become one of the first colonial powers in the world. But the peculiar feature of the impending imperialist struggle for the redistribution of the colonies is that it must necessarily become interwoven with the struggle against the Chinese revolution—which has taken the world system of colonial rule to its foundations—and primarily with the struggle against the U.S.S.R., which is the cradle of the revolutionary struggle all over the world. The peace policy steadily pursued by the Soviet Union and the growing might of the latter are postponing the outbreak of the war towards which the Japanese militarists, and the German and Italian fascists, aided by the more reactionary sections of the British bourgeoisie, are directing all their efforts. The first world war and the October Revolution caused irreparable damage to the world imperialist colonial system; but the result of the impending war will be still more disastrous for world imperialism.

VII. UNEVENNESS OF CAPITALIST DEVELOPMENT BECOMES MORE MARKED

The immediate danger of a new imperialist war provides further historical confirmation of the correctness of the Lenin-Stalin doctrine of the uneven development of capitalism under imperialism, and proves once again that under the rule of monopoly "the periodical repartition of the already *partitioned world* by means of military conflicts and military disasters" (Stalin), is inevitable. The enormous successes achieved in socialist construction in the U.S.S.R. have brilliantly confirmed another decisive thesis of this doctrine, *viz.*, that it is possible to build socialism in one country. The counter-revolutionary "theories" of Kautsky, Trotsky, Zinoviev, Kamenev, Bukharin and others, against which Lenin and Stalin have always waged a relentless struggle, have suffered utter bankruptcy. Lenin and Stalin have developed and added keenness to their doctrine on the particular nature and particular role which the uneven

development of capitalism plays in the epoch of the rule of monopolies. But history has not only confirmed the fundamental conclusions of this doctrine; it has also confirmed all its individual elements. During the past twenty years, the discrepancy in the rate of development of the important capitalist countries has increased, and the uneven development of various branches of industry has assumed unprecedented dimensions. This has caused important changes in the relation of economic forces between countries as well as between branches of industry. The increase in uneven development has accelerated the levelling-up process as between countries and industries. This has caused the struggle between them to become more acute, and this, in turn, has caused the unevenness of their development to become still more marked. On the other hand, the difference in the level of other industries and countries has greatly increased. The difference in degree of economic, military, political and colonial power of various countries has increased enormously, and this serves as one of the decisive factors that are causing the extreme tension in international relations in the post-war period, and are accelerating the maturing of a new imperialist war. Finally, the unevenness in the *political* development of various capitalist countries has manifested itself in new and immeasurably more striking and sharp forms in the post-war period. We shall examine several of these points:

Difference in "rapidity of growth of various countries" (Lenin). In the following table we examine three fundamentally different periods in the development of capitalism: 1) the period 1860 to 1880, *i.e.*, the period when free competition still reigned; 2) the period 1890 to 1913, *i.e.*, the period in which monopoly had already assumed a decisive role in the economics of the important capitalist countries (in order distinctively to separate this period from the preceding one, we have left out the decade 1880 to 1890, which was the transition period from the reign of free competition to the reign of monopoly); 3) the period 1914 to 1929, *i.e.*, the period of the World War and of the general crisis of the capitalist system.

INCREASE OR DECREASE IN INDUSTRIAL PRODUCTION (%) [1]

Country	1860 to 1880	1890 to 1913	1913 to 1929
Japan	—	—	+197
Canada	—	+245	+120 [2]
British India	—	—	+81
Russia	113	+270	—
U.S.A.	+113	+156	+70
Italy	—	+150	+76
Germany	+78	+148	+13
France	+65	+79	+38
Great Britain	+56	+61	—1
Poland	—	—	—10
Capitalist world	+86	+133	+47
Relative rapidity of development of fastest and slowest developing countries	113:56=2:1	270:61=4.4:1	+197:—10
Relative rapidity of delopment of United States and Great Britain	113:56=2:1	156:61=2.5:1	+70:—1

The table shows that with the change of historical epochs the difference in the rapidity of development of various countries increased and the discrepancy between their rapidity of growth became wider.

We do not claim that the figures quoted in the table are absolutely exact in so far as the indices compiled by the Berlin Institut fur Konjunkturforschung, on the basis of which the table was compiled, are by no means exact. Nevertheless, they enable us to obtain an idea of the main trends in the development of capitalist industry. What are these trends?

As can be seen from a comparison of the rapidity of development in the period 1860 to 1880 and 1890 to 1913, with the change from the reign of free competition to the reign of

[1] Computed on the basis of the indices of industrial production of the German Institut fur Konjunkturforschung in *Vierteljahrshefte zur Konjunkturforschung*. Sonderheft 31, Berlin, 1933.

[2] 1910 to 1929.

monopoly, the general rate of increase of world industrial output was somewhat accelerated. During the twenty years from 1860 to 1880, world capitalist production increased 86 per cent; during the twenty-three years from 1890 to 1913, however, it increased 133 per cent. Simultaneously, the unevenness of development of various countries became much more marked. The difference between maximum and minimum rapidity became twice as wide, the ratio being 2:1 in 1860 to 1880, and 4.4:1 in 1890 to 1913. The slowest rate of increase in both stages occurred in Great Britain. All this excellently illustrates Lenin's thesis that: "On the whole, capitalism is growing far more rapidly than before. But this growth is not only becoming more and more uneven in general; its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (such as England)."[1]

The World War and the general crisis of capitalism brought about a sharp change in the development of industrial production in the capitalist world. The rapidity of growth of world industry as a whole sharply declined. During the sixteen years from 1913 to 1929, the increase in output of capitalist industry amounted to only 47 per cent, *i.e.*, an average of 2.4 per cent per annum, as against 3.7 per cent per annum in the period 1890 to 1913.[2] In the subsequent five years, production, as is known, declined. On the background of the general retardation of the growth of capitalist industry, the unevenness of development of various countries became more marked. This was expressed in the following:

First, amidst the general slowing down of rates of development, certain countries (Japan and Canada) showed rates which were exceptional even in the period of the most rapid development of capitalism.

Second, and this is of still more decisive importance, even the wealthiest country in Europe, Great Britain, not to speak of Poland, showed a fluctuation of output during the whole of the post-war period about a level that did not to any extent exceed that of 1913. This is one of the symptoms of the exceptionally deep decay of post-war capitalism. Of course, this marking time is *relative*: certain industries in these countries are developing rather rapidly; there is a considerable growth in the apparatus of production in almost *all* industries

[1] Cf. Pages 247, 248 in this volume.
[2] Average annual per cent = geometrical mean.

in Great Britain, while technique is making marked progress. But this relative stagnation of industrial production in some of the countries in capitalist Europe marks a new and higher stage in the unevenness of development of individual countries; it shows that it has become more marked. The fact that the rate of growth of several countries is close to zero cannot but mean that the difference in rapidity is becoming wider even if the rate of growth of the most rapidly developing countries is also diminishing. Indeed the post-war rapidity of growth of the United States is markedly below pre-war. But while the pre-war rapidity of growth of the United States was approximately equal to that of Germany and two and a half times greater than that of Great Britain, since the war the rapidity of growth of the United States is from fifteen to twenty times greater than that of Germany; and its ratio to that of Great Britain is +70:—1. The unevenness of development of industry as between Japan and Poland has become still more marked.

Third, the following facts are extremely important for the purpose of characterising the great increase in the unevenness of development of industrial production in various countries: in the period 1890 to 1913, of the six countries under review, three, *viz.*, the United States, Italy and Germany, developed at an almost equal rate, and there was only a slight difference between the rates of France and Great Britain, although both considerably lagged behind the other countries. In the period 1913 to 1929, only the United States and Italy developed at an approximately equal rate. This indicates that the difference in the conditions of development in the various countries is much greater than it was before the war.

Fourth, spasmodic regrouping took place in the relative rates of development of the various countries. The most important of these is Germany's passing in 1919-29 from the group of countries in which industrial production increased *most rapidly*, to the group of countries in which industrial production increased at the *slowest* rate. The position of France changed in the opposite direction, although to a much smaller degree.

The uneven development of various branches of industry has also become much more marked in the post-war period.

The following table shows the capitalist world output of

various industries in 1929 compared with 1913 (%).[1]

Shipbuilding	83	Nitrogen (sulphate of ammonia)	286
Cotton (consumption)	111	Oil	411
Coal and lignite	116	Aluminium	424
Pig iron	126	Automobiles	892
Steel	160	Artificial silk	1172

The important industries, pig iron, coal and cotton, developed extremely slowly, although their positions vary in the different countries. On the other hand, the new industries developed very rapidly. This caused a rapid evening-up of the level attained and economic might as between the "new" and "old" industries, which caused the competitive struggle to become more acute and the unevenness of their development more marked (compare coal and oil, cotton consumption and production of articial silk, shipbuilding and automobiles, pig iron and aluminium). The difference in the development of industries producing means of production and those producing consumers' goods, and also as between monopolised and non-monopolised industries, is also extremely great.

A still more important symptom of the growing unevenness of development in the various spheres of economy is the increased lag as between agriculture and industry. This is expressed first of all in the fact that whereas there has been a revival of industry in the post-war period (although a brief and by no means universal one), since 1921 agriculture has been experiencing a prolonged agrarian crisis, which subsided somewhat in the period of capitalist stabilisation, but which became extremely acute in the period of the world economic crisis.

The fundamental reasons for this sharp increase in the unevenness of development during the past twenty years are the following:

1. During the World War, the conditions of economic development were very different in the various countries, and this caused a very profound unevenness in the rate of their growth. The most striking example of this is the development of the United States and Germany in the period 1914

[1] For sources see p. 321.

to 1918. After the war, conditions were created by the whole system of peace treaties which favoured the economic development of some countries, and hindered the economic development of others.

2. The enormous growth of monopolies, and the increase in the spasmodic character of technical progress due to the latter, also greatly increased the unevenness of capitalist development.

3. The formation of the Soviet Union, while restricting the general possibilities for expansion of world capitalism, and depriving it of an enormous source of raw materials and of a market for goods and the investment of capital nevertheless affected the various capitalist countries in varying degrees. The influence the Soviet Union exercises on the political development of various countries is still more uneven.

4. The decisive factor in the increase of the unevenness of development of post-war capitalism, however, is the increased decay of the capitalist system, which is characteristic of the period of the general crisis of capitalism. At a time when the possibilities for the growth of productive forces have sharply contracted, the competitive struggle waged by enterprises, industries and countries for the purpose of widening these possibilities at the expense of their rivals becomes more acute. More and more frequently development in one sphere can be ensured under present conditions only by retarding development in another sphere. Hence the continuously growing difference in the rate of development of the various countries and branches of industry.

The regrouping in the relation of economic forces of the important capitalist countries. The enormous increase in the unevenness of development has given rise to spasmodic changes in the relation of forces of the imperialist countries. The most important of these changes, which are of decisive importance in determining the fundamental antagonisms within the general system of present-day international imperialist antagonisms, are those that have taken place in the relation of forces as between the United States and Great Britain. These are indicated in the table on the opposite page.

By the end of the last century, the United States had already captured Great Britain's place as the premier industrial country. But the degree of the United States' industrial supremacy over Great Britain at the end of the last century was relatively small, and was more than compensated for by

INDICES OF THE RELATION OF FORCES AS BETWEEN GREAT BRITAIN AND U.S.A.

	Units of measurement	1880		1913	
		Great Britain	U.S.A.	Great Britain	U.S.A.
Motive power in industry ..	mill. h.p.	—	3.41	10.75	22.42
Value of production (mining and manufacturing)	bill. $ (old par.)	3.99 (1868)	5.80 [1]	10.69	26.24
Steel output	mill. tons	1.3	1.2	7.7	31.3
Foreign trade	bill. $ (old par.)	2.78	1.56	5.76	4.21
Export of manufactured goods	„ „ „	—	0.09	2.00	0.78
Issue of foreign securities ..	mill. $ (old par.)	—	—	781	44 (1914)
Total foreign investments ..	bill. fr. (current)	22 (1882)	—	75-100 (1914)	9.9 (1912)
Merchant fleet (total tonnage)	mill. reg. tons	6.52 [2]	3.58 [3]	18.70	5.38
Navy (total tonnage)	mill. reg. tons				0.84
Battleships	units	—	—	67	34
Cruisers	units	—	—	123	32
Official expenditure on armed forces	mill. $ (current)	137	63	375.3	335.3
Population of colonies	mill. inhab.	267.9	—	393.5 (1914)	9.7 (1914)

(*Continued on next page*)

INDICES OF THE RELATION OF FORCES AS BETWEEN GREAT BRITAIN AND U.S.A.

(*Continued from previous page*)

	Units of measurement	1929 Great Britain	1929 U.S.A.	1936 Great Britain	1936 U.S.A.
Motive power in industry ..	mill. h.p.	14.89	42.93	—	—
Value of production (mining and manufacturing)	bill. $ (old par.)	13.90 (1930)	76.32	—	—
Steel output	mill. tons	9.8	57.3	11.9	47.7
Foreign trade	bill. $ (old par.)	8.94	9.47	3.62	48.4
Export of manufactured goods	„ „ „	2.79	2.53	1.00	0.68
Issue of foreign securities ..	mill. $ (old par.)	424	671	75	13
Total foreign investments ..	bill. fr. (current)	94 (1930)	81 (1930)	—	—
Merchant fleet (total tonnage)	mill. reg. tons	20.17	14.38	20.39	12.56
Navy (total tonnage)	mill. reg. tons	1.32	1.28	1.20	1.07
Battleships	units	20	18	15	15
Cruisers	units	54	30	53	25
Official expenditure on armed forces	mill. $ (current)	552.0	838.2	1381 (1937-38)	1221
Population of colonies	mill. inhab.	440.6	13.9	466 5 (1932)	14.6 (1932)

(*For notes and sources, see next page*)

Great Britain's supremacy in world trade, world credit, foreign investments, naval armaments and colonial power. The next spurt was made in the period 1900 to 1913. At the beginning of the imperialist war the United States' steel output was four times as large as that of Great Britain; output of pig iron was three times as large; consumption of cotton 1.4 times as large; coal output 1.7 times as large, etc. On the eve of the war, the value of United States' industrial production was two and a half times as large as that of Great Britain. The industrial base of the United States was far broader than that of Great Britain; but Great Britain firmly held first place in world trade, in foreign investments and in the world money market. Compared with that of Great Britain the United States' navy was a small one. But the war and post-war periods witnessed a radical change in the situation, and this is a fact of decisive world importance. After the war the United States became a large exporter of capital (*cf.* data on page 146), deprived London of its position as the centre of the world money market, forced Great Britain to second place in volume of foreign trade and came close to her in regard to naval armaments. Simultaneously, the United States' industrial supremacy increased still further, and as we pointed out above, the difference in the rate of development of industry in the two countries increased enormously.

But, notwithstanding the fact that she has completely lost her leading economic position, and that her naval supremacy is being threatened, Great Britain:

a) has retained and even greatly enlarged her colonial possessions, not only absolutely, but relatively to other countries;

(*Notes to table on pp. 321-22*)

[1]Mining—average for 1881-85. Manufacturing industry—1879.

[2]Net tonnage; for other years, gross tonnage.

[3]Including 22 obsolete cruisers in 1929; none in 1936.

SOURCES: *Annuaire Statistique, Statistique Generale de la France*, 1932, pp. 559-60; *Board of Trade Journal*, 16, II, 1933; *Statistical Abstract of the U.S.*, 1933; Woytinsky, *Die Welt in Zahlen*, 1928, Bd. IV; *National Federation of Iron and Steel Manufacturers*, 1932; *Statistical Yearbook of the League of Nations*, 1933-34, 1935-36; *Customs Returns of Great Britain* and U.S.A. in *The World Almanac*, 1934; *The Economist*; *The Statist*; *Commercial and Financial Chronicle*; *Jane's Fighting Ships*, 1936 (figures corrected on basis of latest figures published in the press); *Monthly Bulletin of Statistics*, L. of N., No. 3, 1937.

b) notwithstanding the fact that she has lost a large share of her markets, the proportion of her home manufactures that she is able to dispose of in foreign markets is five to six times larger than that of the United States, and this, in the main, is due to her enormous colonial possessions;

c) her investments in Asia, Africa and Australia and also in Argentina, Brazil and Uruguay greatly exceed those of the United States.

This shows that the difference in the economic power of the United States and Great Britain, and in their respective share in the exploitation of colonies and foreign markets has increased enormously. This is precisely the basis on which Anglo-American antagonisms are being transformed into the central antagonism of modern imperialism.

The second decisive change in the relation of forces between the imperialist powers is due to the exceptionally rapid growth of Japanese imperialism.

The faster rate of development of Japan compared with that of the United States, Great Britain and other imperialist powers has been even more marked during the past twenty years. This, in turn,, has greatly strengthened her economic position, absolutely and relatively, and has accelerated the levelling-up process as between herself and other imperialist countries. But Japan still lags very much behind the United States and Great Britain in degree of economic power, as can be seen from the size of her heavy industry and her share of world production and world trade. However, even before her seizure of Manchuria, Japan owned twice as many colonial slaves as the United States. The positions of the respective countries are illustrated in the table on p. 325.

In 1916 Lenin wrote: "The partition of China is only beginning, and the struggle between Japan, U.S.A., etc., in connection therewith is continually gaining in intensity." Today, this struggle has entered into a new phase. The United States is ever so much stronger than Japan economically; but Japan enjoys a number of military strategical advantages over the United States in the struggle for China. Her position is also strengthened by the existence of Anglo-American antagonisms. Utilising these advantages, Japan is striving to transform China into her colony and to squeeze the United States and other imperialist powers out of that country. This is precisely why the Pacific, where war is already being conducted against China by Japan, has become transformed into

INDICES OF THE RELATION OF FORCES OF JAPAN, U.S.A., AND GREAT BRITAIN

	Years.	Units of measurement	Japan	U.S.A.	Great Britain
RATE OF GROWTH :					
Industrial production . .	1913-29	per cent	+197	+70	—1
Electric motors in industry.....	1913-29	„	+1,450	+300	+363
Exports (change in prices not allowed for).....	1913-29	„	+212	+110	+39
Share of production in world capitalist industry.....	1929	„	2.5	47.0	9.8
	1935	„	3.7	43.4	11.8
Steel output.....	1929	mill. tons	2.3	57 3	9.7
	1936	„ „	5.0	47.7	11.9
Share of world trade.....	1925-29	per cent	3.0	14.0	13.6
	1936	„	3.9	12.1	15.4
Merchant fleet.....	1936	mill. reg. t.	4.2	12.6	20.4
Navy :					
Total tonnage.....	1936	thous. reg. t.	841	1,073	1,196
Battleships.....	1936	units	9	15	15
Cruisers.....	1936	„	41	25	53
Population of colonies :					
Not including Manchuria.....	1932	mill. inhab.	28.0	14.6	466.5
Including Manchuria	1932	„ „	60.0	14.6	466.5

SOURCES : *Vierteljahrshefte zur Konjunkturforschung*, Sonderheft 31, Die *Industriewirtschaft*, S. 64-66 ; *Monthly Bulletin of Statistics of the League of Nations*, No. 7-8, 1934, No. 3, 1937 ;*Statistical Yearbook*, L. of No., 1927-33 ; *Financial and Economic Annual of Japan*, 1916 ; *Fourteenth Census of the U.S.*, 1920, *Manufactures*, VIII, General Report ; H. Butler, *The United Kingdom*, 1930 ; *The Economist*, II, III, 1933 ; *Report of the National Federation of Iron and Steel Manufacturers*, 1933 ; Customs returns of the respective countries in *The World Almanac*, 1939 ; *Jane's Fighting Ships*, 1936 (figures corrected).

an important arena of the maturing, new world war.

Finally, the important changes in the relation of forces between France and Germany are also of exceptional significance. As a result of these changes, Central Europe, where the knot of the Versailles contradictions has been tied, has become transformed into the second arena of the impending imperialist war. The change in the relation of forces between Germany and France is indicated in the table given on

The economic power of France has greatly increased compared with that of Germany, and as a result of the war of 1914-18 France obtained far more favourable conditions for the development of her industry than Germany. The relation of rate of growth of industrial production between France and Germany was as follows:

1890 to 1913	1913 to 1929 (1913 given in present frontiers)
79 : 148 = 1 : 1:9	38: 13 = 3: 1

Before the war Germany's industrial production increased *twice as fast* as that of France; after the war French industrial production increased *three times as fast* as that of Germany. This is evidence of the marked increase in the unevenness of development of these two countries, as the result of which French industrial development has approached the level of Germany. Nevertheless, Germany continues to be the biggest industrial country in Europe, with the most advanced technique, the highest level of concentration of production and the most powerful monopolies. The change in the industrial apparatus of production (*cf.* data on motive power in industry on preceding page) are much less favourable for France than the increase of industrial output. France still lags behind Germany in world trade, in spite of the fact that the possession of colonies and large resources for the export of capital put her in a position of great advantage over Germany in foreign markets. Utilising her industrial might and taking advantage of the antagonisms in the camp of her former enemies, Germany broke through the Versailles ban on armaments and is feverishly strengthening her military power. German fascism has turned Austria into a German colony. In conjunction with Italian fascism it is conducting a war of plunder in Spain with the object of enslaving the Spanish people. It is preparing an attack on Czechoslovakia, it is plotting a counter-revolutionary war against the Soviet Union; it is provoking a new world war. German fascism considers it to be its fundamental task to prepare for this war.

We have not by any means enumerated all the forms in which the exceptional increase in the uneven development of capitalism which is characteristic in the post-war period manifests itself. It has found specific expression in the special character of the post-war economic cycles, and in the profound difference in degree to which the economic crisis affects various

INDICES OF RELATION OF FORCES BETWEEN GERMANY AND FRANCE[1]

	Units of measurement	1913 Germany	1913 France	1929 Germany	1929 France	1936 Germany	1936 France
Population ..	mill. inhab.	67.0	39.8	64.0	41.2	65.2 (1933)	41.8 (1933)
Motive power in industry ..	mill. h.p.	8.64 (1907)	3.55 (1906)	18.09 (1925)	11.72 (1926)	23.8 (1933)	—
Share of production of capitalist world industry ..	per cent	—	—	12.6[2]	7.6[2]	13.2	6.2
Steel output ..	mill. tons	18.9	4.7	16.2	9.7	19.2	6.2
Export of manufactured goods ..	bill. $ (old par.)	1.61	0.16	2.34	1.23	1.44	0.31
Foreign investments ..	bill. francs	44 (1914)	60 (1914)	5 (1930)	31.40 (1930)	—	—
Merchant fleet ..	mill. reg. tons	5.08	2.20	4.09	3.38	3.72	3.00
Navy:							
Total tonnage ..	thous. reg. tons	1033.7	689.2	99.6[3]	522.3	124.9[3]	502.0
Battleships ..	units	47	24	6[4]	9	6[4]	7
Cruisers ..	"	50	29	5	15	6	14
Army ..	thous. men	806.0	770.7	100.5	563.0	1,000	624
Population of colonies	mill. inhab.	12.3 (1914)	55.5 (1914)	—	65.1 (1932)	—	65.1 (1932)

[1]The table has been compiled from the following sources: German census returns; *Annuaire Statistique, Stat. Generale de la France*, 1932; *Wochenbericht des Instituts fur Konjunkturforschung*, No. 41, 1934; *The Report of the National Federation of Iron and Steel Manufacturers*, 1932; *Statistical Yearbook of the League of Nations*. 1933-34; *The World Almanac*, 1934; *Jane's Fighting Ships*, 1936; *Monthly Bulletin of Statistics*, L. of No., No. 3, 1937.

[2]1928.

[3]In 1929-36 there was a considerable qualitative growth of the navy: obsolete tonnage was scrapped and new units, in particular, two battleships, were added.

[4]Including 3 obsolete.

industries and countries. An indirect illustration of this is contained in the following table:

INCREASE OR DECREASE OF INDUSTRIAL PRODUCTION OF THE CAPITALIST WORLD IN 1932 COMPARED WITH 1929 (%)[1]

Production by countries		World production by industry	
Japan	— 2.2	Artificial silk	+ 25.9
Great Britain	—16.6	Industrial consumption of cotton	—11.7
Sweden	—20.9	Synthetic nitrogen	—12.8
France	—30.9	Oil	—20.4
Italy	—33.2	Coal and lignite	—30.6
Austria	—35.7	Aluminium	—43.9
Poland	—46.1	Zinc	—46.9
U.S.A.	—46.2	Copper	—52.1
Germany	—46.7	Steel	—61.4
		Pig iron	—64.6
		Automobiles	—69.1

The unevenness of development also manifests itself with exceptional sharpness in the profound difference that exists in the development of the various countries and industries during the period of depression of a special kind. This deserves special examination; but this cannot be undertaken within the limits of the present article. The question of the unevenness of the *political* development of the various countries, which became very much more marked in the period of the general crisis of capitalism owing to the sharp increase in the unevenness of *economic* development, is also worthy of special examination. On the whole, the unevenness of the political and economic development of capitalism stands forth today as unevenness in the acuteness of the general crisis of capitalism, of the maturity of the revolutionary crisis, and of the weakness of the various links in the capitalist chain. The enormous increase in this unevenness at a time when the crisis

[1] Compiled from the figures in *Statistical Yearbook of the League of Nations*, 1933-34 and in *Monthly Statistical Bulletin*, L. of N., 1936.

of the capitalist system is becoming ever so much more acute is an extremely important factor for the development of the world proletarian revolution.

VIII. INCREASE IN THE PARASITISM AND DECAY OF CAPITALISM

The enormous growth of monopolies has resulted in an increase in the tendency towards decay, and also in an increase in parasitism. We cannot, at present, examine all the forms of decay that are specifically new in the period of the general crisis of capitalism, such as the apparatus of production chronically operating below capacity, the constant high rate of unemployment, the absence of periods of prosperity in a number of industries and in several countries during the post-war period, etc. An abundance of material illustrating the peculiar forms the decay of capitalism has assumed in the post-war period and the exceptional acuteness of this decay is given elsewhere in this book. We shall confine ourselves here to the symptoms examined by Lenin in the chapter "The Parasitism and Decay of Capitalism" in his *Imperialism*.

Retardation of technical progress. As an example of how technical progress is deliberately hindered, Lenin quotes the case of the Owens bottle-making machine which was kept out of the market. An investigation of the methods practised by any one of the monopolised industries today would perhaps reveal even more striking examples. We will take as illustrations the obstacles placed in the way of the production of synthetic gasoline, the manufacture of synthetic rubber (the U.S.S.R. is the first country in the world in which this problem has been solved in actual practice), research work on the production of iron without the aid of blast furnaces, etc., in the United States and other countries. It is characteristic that interest in the manufacture of synthetic gasoline was aroused only in connection with the preparations for war. This alone explains why news began to appear since 1934 of the rapid expansion of installations for the liquefaction of coal in Germany, and the erection of a number of plants producing synthetic gasoline in England, Japan, etc. But the role of war as a factor in technical progress (during the economic crisis this role assumed particularly great importance) is but another expression of the increased process of decay of

capitalism.

The conditions of post-war capitalism have provided the monopolies with far greater *opportunities* for hindering technical progress. In the first place, the monopolies themselves have grown, and they have larger funds at their disposal with which to buy up patents. Secondly, the principal laboratories and scientific research institutes are controlled by the monopolies. This enables the latter to kill any invention at its birth and not only to prevent any great technical discovery from being utilised, but even to keep the fact that such a discovery has been made a secret. The *stimulus* to pigeon-hole new inventions has increased, as, for example, the fear that the introduction of new machinery and new methods of production will still further increase the discrepancy between production capacity and actual production. Of still greater significance than the deliberate retardation of technical progress under modern capitalism are the forms of technical decay such as the slowing down of the rate (and in the midst of economic crisis, the almost complete cessation) of renewal of fixed capital; the considerable diminution in the number of enterprises sufficiently large economically to keep pace with technical progress; the concentration (particularly during the economic crisis) of technical thought on the solution of the problem of profitably *reducing* the output of installations (blast furnaces, electric turbines, etc.) and cases of deliberately adopting obsolete in place of modern methods of production (during the crisis). The latter occurs particularly in agriculture. In view of the growing difficulties in finding markets, the role of monopoly prices as a factor retarding technical progress has increased. The basis for the increased technical decay in the post-war period is the general retardation of the growth of capitalist production; and this is quite apart from the destruction of the productive forces of capitalism during the world economic crisis. The process of technical decay is extremely uneven and is accompanied by cases of important technical progress in a number of spheres of capitalist production. The acceleration of technical progress in some spheres of production occurred even during the world economic crisis, when the tendency towards the retardation of technical progress was most strikingly revealed.

An important factor in the retardation of technical progress under post-war capitalism is the chronic operation of enterprises considerably below capacity, which weakens the

stimulus to invest new capital in those branches of industry where this working below capacity is particularly marked. This is exactly what explains the peculiar features of post-war capitalist rationalisation in industry. In the main, the reduction of cost of production by means of this form of rationalisation is secured by the intense speeding up of labour and the minimum of new capital investments. The weakening of the stimulus for the investment of new capital in the basic industries leads to an accumulation of capital seeking profitable speculative investment (note for example the enormous flow of capital to the United States in 1928-29 for speculation on the New York Stock Exchange). At the same time, the share of capital invested in industries of secondary importance and non-productive spheres increases. The case of Great Britain illustrates this, as will be seen from the following table:

CAPITAL ISSUES IN GREAT BRITAIN[1]

(thousand £)

	1904—1933			
	Ten Years 1904-13	Ten Years 1924-33	Five Years 1924-28	Five Years 1929-33
Basic industries (iron and steel, metal-working, mechanical engineering, coal mining) ..	41,761	27,806	21,405	6,401
Breweries ..	6,029	26,495	14,979	11,516
Hotels, theatres, etc. ..	7,189	28,616	20,424	8,192

The figures of capital issues published in *The Economist*, on the basis of which the above table has been compiled, are not complete, but they quite correctly reveal the basic trends. They show that before the World War, in the period 1904 to 1913, the amount of new capital investments in the basic industries was seven times as large as that invested in breweries, and six times as large as that invested in theatres, hotels, etc.; but the situation radically changed after the war. During the ten years 1924 to 1933, the amount of capital invested in the basic industries was *less* than that invested in breweries, hotels, theatres, etc. This was particularly the case in the period

[1]Compiled on the basis of figures published in *The Economist*.

of the world economic crisis. These figures very clearly reveal the enormous acceleration in the decay of British capitalism.

The same trend is revealed by the changes in the value of building contracts awarded in the United States. This is seen from the following table:

VALUE OF BUILDING CONTRACTS AWARDED IN UNITED STATES[1]
(million $)

	1925 to 1929	1930 to 1934
Industrial construction	2,228	660
Commercial enterprises, hotels, etc. ..	4,540	1,300
Religious buildings, monuments, etc. ..	692	209

During the five years of so-called "prosperity," industrial construction reached the peak of the post-war period; nevertheless the value of such construction was only half that of commercial enterprises, hotels, etc. It is noteworthy that the value of religious buildings, monuments, etc., amounted to nearly one-third of the value of industrial construction. During the world economic crisis and depression the value of industrial construction still further diminished.

Naturally, parasitism connected with export of capital also increased amidst these conditions of the general growth of monopoly and the retarded growth of home industry and commerce. In Lenin's opinion one of the most important features of the parasitism of British capitalism was the fact that already in 1899, Great Britain's income from foreign investments (£100,000,000) exceeded her income from foreign trade by £80,000,000 or fivefold. But in 1929, Great Britain's income from foreign investments amounted to nearly £250,000,000, not including the income from bankers' commissions, interest on short-term foreign investments, etc. If the latter is included, the total income from these sources will amount to nearly £375,000,000 which exceeds the income from foreign trade by more than £300,000,000 or sevenfold. (During the crisis this sum was diminished.) In the period 1924 to 1929, the total national income of Great Britain increased 11 per cent; but her income from foreign investments during the same period increased 55 per cent. This signifies a large increase in the

[1] Compiled on the basis of the returns published in *The Statistical Abstract of the United States*, 1935, p. 787.

proportion of incomes obtained from the exploitation of colonies compared with that obtained from home industry and commerce. This is a symptom of the further parasitic degeneration of British capitalist economy, of the growth of the features peculiar to Great Britain as a rentier state.

The characteristic feature of the post-war period is that the United States is rapidly overtaking Great Britain as a rentier state. Before the war, United States payments abroad exceeded income from abroad. The war caused a radical change in the situation. In 1922, United States receipts in payment of interest and dividends from foreign investments, together with payments on war debts, amounted to over $500,000,000. In 1929, these receipts had increased to $1,186,000,000, *i.e.*, an increase of 134 per cent, while total national income during the same period increased only 41 per cent. It was only during the period of the crisis that United States income from foreign investments dropped considerably. For eleven years, from 1922 to 1932, United States income from foreign investments, including payment on war debts, amounted to a total of $9,223,000,000.

General increase of rentiers' incomes. Income from foreign investment represents only a part of the parasitic income of the rentiers. We have already shown above how enormously capital issues and the total number of securities in circulation have increased in the post-war period compared with the pre-war period. This implied an enormous increase in dividends, promoters' profits, and similar incomes. In the United States, according to official figures, which are obviously an underestimation, payments on dividends and interest increased 4.5 fold in 1930 compared with 1913 (from ($1,800,000,000 to $8,200,000,000). The total payments on dividends and interest in the United States in 1931, amounting to $8,100,000,000, was 40 per cent higher than the *gross* money income of 30 to 31 millions of the farming population in the United States, and three times as much as the gross income from the harvest of agricultural produce ($2,700,000,000).[1] For two years alone (1930 and 1931) the total payments on dividends and interest amounted to $16,000,000,000. Such is the tribute that the rentiers impose upon society. It is characteristic that during these two years the income of the rentiers

[1]Farmers' incomes taken from official returns published in *Crops and Markets*, No. 8, 1934.

was higher than in any preceding year. By comparing the index of these incomes with that of incomes obtained from wages and salaries we get the following picture:[1]

	1927	1928	1929	1930	1931	1932
	(1923-1925 = 100)					
Total payments on dividends and interest ..	145	154	180	214	211	182
Total payroll in manufacturing industry ..	102	102	109	89	68	46

The figures show a steady increase in the incomes of the rentiers in the period 1923 to 1930. These incomes were particularly large in 1930, when payments were made on the enormous profits obtained during the peak of the boom in 1929. In 1931, the income of the rentiers was almost equal to that in 1930. It is true that profits showed a marked decline, but accumulated surplus enabled dividends to be kept at a comparatively high level. Payments of interest even showed a slight rise. It was only in 1932 that the total payments on dividends and interest showed a serious drop. But the most characteristic thing is that in 1932, rentiers' incomes were 82 per cent higher than the average for 1923-25, whereas the income of the working class was 54 per cent less than its income for the same period.

An increase in the income of the rentiers, side by side with the growing impoverishment of the proletariat—can a more striking proof of the enormous growth of the parasitism of capitalism be required?

The growth of the parasitic rentier incomes was a result of the war of 1914-18 *and the preparations for a new war.* One of the most important sources from which the incomes of the rentiers were increased in the post-war period were home and foreign war loans. Lenin wrote: "War must be paid for *everywhere*, including 'victor' nations, by interest on loans. And what is this interest? It is billions paid in tribute to messieurs the millionaires for being good enough to permit millions of workers and peasants to kill and maim each other in order to decide how the profits of the capitalists are to be distributed."[2] In France, the national debt (home and foreign)

[1] *World Almanac*, 1935, p. 290; *Survey of Current Business*

[2] Lenin, *Collected Works*, Vol. XXIV p. 404, Russ. ed.

in 1929 has increased threefold compared with pre-war (if the depreciation of the franc is not taken into account—fourteenfold); the national debt of Great Britain has increased ninefold, that of the United States, sixteen to seventeenfold, etc. During the world economic crisis the internal national debt of the United States increased still further owing to the enormous subsidies paid by the state to the banks, to industry and the big farmers. By January 1937, the national debt of the United States had increased to the enormous sum of $34,500,000,000 compared with $16,900,000,000 in June 1929. This increase in the national debt during the crisis was a new factor serving to increase the income of the rentiers. The following table shows the proportion of total budget expenditure paid out in interest on state debts. (%) :

Great Britain	..	1914	12.5	1929	44.4
France	..	1913	19.0	1928	36.5
United States	..	1912	3.3	1929	35.1

From one-third to one-half of total budget expenditure in imperialist countries goes to pay the rentier holders of state bonds! A more than ten-fold increase in the proportion of these payments to the total budget of the richest country in the world, the U.S.A., compared with pre-war—such is the statistical evidence of the growing parasitism of the modern rentier state. On the eve of the economic crisis, treasury payments on the national debt in Great Britain amounted to £368,000,000 per annum. In the United States, even in 1932, when a large number of schools had to be closed owing to the lack of appropriations, payments on the national debt amounted to over one billion dollars; and this at a time when the federal budget made no provision whatever for unemployment relief.

Most of the payments on the national debt today represent the cost of the *last* war. To these, however, are now added the cost of the wars now being conducted and in the course of preparation. Compared with pre-war, expenditure on armaments has increased in Great Britain almost fourfold, in the United States more than threefold and in Japan more than sixfold. To a still greater extent has it increased in fascist Germany which has entirely stopped publishing its budget. In these countries, expenditure on armaments absorbs the greater part of the budget; but actual

expenditure on armaments far exceeds the sums officially allocated in the budget. The total cost of the last war and expenditure on the future war absorbs from 60 to 80 per cent of the budgets of capitalist countries. A large part of the remainder is absorbed by the bureaucratic and police apparatus. Here the state stands forth as a parasitic apparatus which directs the flow of enormous sums into the pockets of the rentiers and armaments manufacturers. In view of the thoroughly parasitic structure of the budgets of modern capitalist states, the increase in the proportion of budget expenditure to total national income is extremely important. The following table shows this proportion (%) :

	1913	1929	1932	1935
United States	.. 2.1	4.7	11.7	14.0
Great Britain	.. 8.8	21.6	22.4	18.5
France	.. 14.1	21.1	25.5 (1931)	32.3
Germany	.. 7.0	10.6	13.0	—

It must be pointed out that only *national* budgets are taken into account in the above table. If to these figures are added local government budgets, the proportion of budget expenditure to total national income will be increased several times. For example, for 1929 it will cause an increase from 10.6 per cent to 28.5 per cent in Germany and from 4.7 per cent to 11.4 per cent in the United States. The latter figure, however, does not take into account the budgets of towns with less than 30,000 population. All this increases the burden of taxation, particularly in agriculture.

The growth of parasitism and the increased lag of agriculture. In Lenin's opinion, one of the most important symptoms of the growth of parasitism is the increased lag of agriculture behind industry. Notwithstanding the very considerable technical progress that has been made in various spheres of world capitalist agriculture, the extreme increase in the lag of agriculture behind industry, and the extreme acuteness of the decay of agriculture, manifest themselves in the fact that the whole of the post-war period is a period of agrarian crisis. The following table shows to what extent the position of agriculture is worsened by the increase in taxation and the increase in the tribute which finance capital extracts from it directly in the form of interest and sinking fund payments on debts.

(per cent of gross money income)

	1923	1929	1931	1932
Property tax	8.5	7.0	11.8	14.7
Interest on debts	10.3	7.5	12.7	17.1
Total taxes and interest	18.8	14.5	24.5	31.8
Machinery	4.9	6.0	4.0	3.4
Fertilisers	2.7	3.0	3.6	3.8
Improvements	6.3	4.7	3.7	2.9

Payment of property tax (this does not include indirect taxes) together with interest is several times larger than expenditure on machinery (six times larger in 1931 and nine times larger in 1932). With certain modifications, the figures for the United States are typical of other countries. In Japan for example, where the methods of exploitation employed by finance capital in agriculture are interwoven with feudal relationships, the burden of taxation and interest payment on debts are still greater. There is no need to dwell on the position of agriculture in colonial countries. The tribute finance capital extracts from agriculture is one of the important factors in the increase in the severity of the post-war world agrarian crisis.

The influence of the growth of parasitism on the composition of the population. The diminution in the proportion of the productive section of the population, which Lenin noted, continued at a rapid rate in the post-war period, particularly owing to the enormous amount of unemployment. Simultaneously, there has been an increase in the percentage of the population engaged in the sphere of distribution, thus causing a reduction in the percentage engaged in the sphere of production. For Great Britain, the following data are available: during the period 1923 to 1929 the number of insured persons engaged in industry remained almost stationary (1923—7,208,000; 1929—7,234,000). The number engaged in commerce, banks, insurance, financial and similar institutions, however, increased by 26.6 per cent. This implies a considerable

[1]Computed on the basis of data published in *Yearbook of Agriculture*, 1933, p. 704. The averages are computed on the basis of farmer-owned evaluation of income returns. Of such returns 11,805 were made in 1920, 6,228 in 1930, 7,437 in 1931 and 6,383 in 1932.

diminution in the proportion of the productive section of the population and an increase in the proportion of the non-productive section. During the crisis, this process was greatly accelerated. Thus, in 1932 the number of persons engaged in industry declined by over one million compared with 1929, whereas the number of persons engaged in commerce, banks, etc., increased by 200,000 in the same period. The diminution in the proportion of the industrial proletariat to the whole population, which Lenin regarded as one of the symptoms of the growth of parasitism, proceeds unevenly in the various countries and assumes distinct form in different periods. Whereas this process was already observed in Great Britain in the period from 1850 to 1900, it began to develop in Germany and in the United States only in the post-war period; but then it was interwoven with a new phenomenon, *viz.*, not only a relative, but also an absolute diminution in the number of industrial workers (counting the employed, but not the unemployed).

In Germany, the proportion of industrial workers to the total population *increased* from 10.6 per cent in 1895 to 15.1 per cent in 1925. From 1925 to 1928, however, the proportion dropped from 15.1 per cent to 13.5 per cent. During the economic crisis, the proportion was still further reduced (from 13.5 per cent in 1928 to 8 per cent in 1932), owing to the enormous increase in unemployment.

Simultaneously, the proportion of the population engaged in industry diminished, while there was an increase in the proportion engaged in the sphere of distribution. This is illustrated in the following table computed on the basis of census returns.

NUMBER OF PERSONS OCCUPIED IN GERMANY

	Engaged in industry		Engaged in trade[1]	
	thous.	% inc. or dec.	thous.	% inc. or dec.
1907	9,839		2,776	
1925	12.693	+29.0	4,032	+45.2
1933	8,999	—29 1	4,215	+4.3

[1] Including insurance, banks, hotels etc.

This process assumed particularly large proportions during the economic crisis. Of the total number of persons occupied in establishments under the supervision of a factory inspector (those employing 5 persons and over), the number engaged in industry declined 46.5 per cent in the period from 1928 to 1932, while the number of those engaged in commerce declined only 12.4 per cent, which meant a considerable increase in the proportion engaged in commerce. The same trend is observed in the United States. Thus, the number of workers engaged in the manufacturing industry per thousand of the population was as follows: 1899—63; 1914—70; 1919—73; 1931—52; 1933—48.

During the crisis; the proportion of the population in the U.S.A. engaged in industry naturally declined very sharply and in 1933 had dropped to 48 per thousand as against 73 per thousand in 1929. Another trend that is characteristic of the growth of parasitism clearly revealed itself in the United States, *viz.*, an increase in the proportion of the population engaged in the sphere of distribution with a simultaneous decrease in the proportion of the population engaged in the sphere of production. Thus, the proportion of those engaged in the mining and manufacturing industries to the total self-supporting population in the United States *declined* from 33.5 per cent in 1920 to 30.9 per cent in 1930. The proportion of those engaged in commerce, the civil service and commercial offices, domestic and professional service., *increased* in the same period from 32.8 per cent to 39.3 per cent.

We have not by any means enumerated all the concrete forms in which the decay and parasitism of modern capitalism manifest themselves. But we think that what we have said is sufficient to prove the exceptional rapidity with which these features of modern capitalism, which Lenin revealed, are growing. The growth of these features is particularly striking against the background of the successes achieved in socialist construction in the U.S.S.R. The antithesis of the laws of development of these two systems stands out in striking relief.